

Gaming Realms PLC

Interim Results

RNS Number : 4817L
 Gaming Realms PLC
 13 September 2021

Gaming Realms plc

(the "Company" or the "Group")

Interim Results

Revenue growth of 50% generates adjusted EBITDA^[1] of £3.1m^[2], up 144%

Continued U.S. expansion post period end with content launched in Pennsylvania

Gaming Realms plc (AIM: GMR), the developer and licensor of mobile focused gaming content, is pleased to announce its interim results for the six months to 30 June 2021 (the "Period" or "H1'21").

Financial highlights:

	H1 2021	H1 2020	Change
	m	m	%
Revenue (Licensing)	5.8	3.4	+73%
Revenue (Social)	1.9	1.8	+7%
Total revenue	7.7	5.2	+50%
Adjusted EBITDA before share option and related charges	3.1	1.28	+144%
Adjusted EBITDA	2.7	1.2	+116%
Profit / (loss) before tax	0.8	(0.7)	
Cash or cash equivalents	3.92	0.85	+363.3%

- Total revenue grew 50% from £5.2m in H1'20 to £7.7m in H1'21. The Group's revenues generate high margins, and in combination with a stable fixed cost base, resulted in adjusted EBITDA growing from £1.28m to £3.1m, a rise of 144% over the previous Period.
- Licensing revenue grew 73% to 5.8m (H1'20: 3.4m)
 - This included content licensing revenue growing 39% to £4.1m (H1'20: £2.9m) due to an increase in distribution from an expanded games portfolio
 - Brand licensing reflected a significant deal which positively impacted revenues, resulting in a 298% increase to £1.7m (H1'20: £0.4m)
- Social revenue increased 7% to 1.9m (H1'20: 1.8m) from an increase in new Slingo content, as well as improved player management and new player engagement features.
- Cash or cash equivalents grew from £0.85m to £3.92m due to strong cash conversion of operating profits.

Operational highlights:

- Granted provisional iGaming supplier license in Michigan where we went live with BetMGM with a direct- integration agreement.
- Granted Interactive Gaming Manufacture Licence in Pennsylvania.
- Launched Slingo content in the Italian regulated market with Goldbet and Sisal.
- Signed several distribution deals including with GAN.
- Signed content licensing agreement with IGT.
- Released four new games into the market, including *Slingo Starburst* and *Slingo Lobstermania*. The Group now has 48 games in its portfolio (Dec'20: 44 games, Jun'20: 40 games).

Post period-end:

- Licensing revenue increased 28% in the two months post period-end compared to the same period in 2020 (with the significant deal reflected in the first half numbers not repeating in the second half) .
- Launched in Pennsylvania with BetMGM and Rush Street Interactive.
- Launched further operators in Michigan with Draftkings and Rush Street Interactive.
- Released two new Slingo games: *Slingo Big Wheel* and *Redhot Slingo*.

Outlook for FY21:

Gaming Realms made exceptional progress during the first half of the year in developing and licensing games to market-leading brands and operators globally, expanding its footprint and delivering high margin revenues.

Momentum is set to continue into the second half of the financial year, with revenues from the Group's content launches in Michigan and Pennsylvania (in June and September, respectively) expected to grow substantially in H2'21. Despite being live with just three operators to date in Michigan, early appetite for Gaming Realms' full Slingo portfolio has been promising, and the Group will be launching imminently with additional operators across all its U.S. territories to fulfil strong market demand.

Whilst the European market continues to grow and be the largest contributor to Group results, we are excited about the growth prospects of the nascent U.S. market. The Company has direct integrations and multi-State deals with the majority of the U.S. iGaming market. These include multi-State deals with BetMGM, DraftKings, FanDuel, Rush Street Interactive, Golden Nugget, Poker Stars, Barstool/PNG, Kindred, Wynn Interactive, Twinspires, Parx, Tropicana/Gamesys and Caesars Entertainment. The Company also has direct integrations with BetMGM, DraftKings, Rush Street Interactive, FanDuel, Golden Nugget, Gamesys, Twinspires, Wynn Interactive and 888, with more in the pipeline.

Following the Group's successful launch in the Italian regulated market earlier this year, Gaming Realms has evaluated further European expansion opportunities and is preparing for launches in additional regulated markets in the second half of the year.

With a strong game development pipeline, a clear strategy to continue expanding its distribution internationally and with demand from the Group's customers expected to continue, the Board expects trading for FY21 to be in line with market expectations and remains confident in the strategic outlook for the business.

Commenting on the first half performance, Michael Buckley, Executive Chairman, said:

"The Group has delivered an excellent first half both in terms of significant earnings growth and new licensing and distribution agreements. Having recently launched in Michigan and Pennsylvania, the Group is now working to capitalise on the significant opportunities in these markets. We are also looking to strengthen our position in Europe through launches in other regulated markets following the encouraging response we have seen from players in Italy for our Slingo content."

"Looking further ahead, we are about to start the process for obtaining a license in Ontario, Canada. Ontario has announced its intention to regulate iGaming and has the potential to be a bigger market for Gaming Realms than any one of the U.S. states that have regulated so far. In addition, we will also pursue further licensing opportunities within the U.S. as new States announce their intention to regulate iGaming."

"This is an exciting time for the Company and we intend to continue to deliver further value by scaling our platform and bringing innovative content to new audiences worldwide. With more material impact expected from Michigan and Pennsylvania in the second half of this year, the Board is confident in the future performance of the business."

An analyst briefing will be held virtually at 9:30am today. To attend, please email gamingrealms@yellowjerseypr.com.

^[1] EBITDA is profit before interest, tax, depreciation, amortisation and impairment expenses and is a non-GAAP measure. Adjusted EBITDA is EBITDA excluding non-recurring material items which are outside the normal scope of the Group's ordinary activities. The Group uses EBITDA and Adjusted EBITDA to comment on its financial performance. Adjusting items include costs arising from a fundamental restructuring of the Group's operations and redundancy costs. See Note 4 for further details.

^[2] Adjusted EBITDA before share option and related charges.

Enquiries

Gaming Realms plc	0845 123 3773
Michael Buckley, Executive Chairman Mark Segal, CFO	
Peel Hunt LLP - NOMAD and broker	020 7418 8900
George Sellar Andrew Clark Will Bell	
Yellow Jersey	07747 788 221
Charles Goodwin Annabel Atkins Annabelle Wills	

Business review

Overall Group revenues increased 50% from the previous Period, while total expenses (excluding share option and related charges) increased 19%. As a result, the Group delivered adjusted EBITDA for the Period of £2.7m (H1'20: £1.2m), while also reporting a pre-tax profit of £0.8m compared with a pre-tax loss of £0.7m for the comparative Period.

The high revenue growth from the previous Period was driven by the 73% growth in licensing revenues, supplemented by the continued modest growth in social publishing revenues.

Licensing

The licensing business continued to deliver strong growth, with revenue for the Period increasing 73% to £5.8m (H1'20: £3.4m). The 26 partners that went live through 2020 and further 11 partners going live in H1'21 helped drive this revenue growth, along with the release of four new Slingo games (H1'20: four games) to the market.

The overall £2.4m increase in licensing revenues was achieved through a mixture of a £0.5m organic increase in content license revenues from existing partners, a £0.6m increase in content license revenues from partners that went live after 30 June 2020 and a £1.3m increase in brand license revenue compared to the previous Period.

Social

The Group's social publishing business continued to deliver strong results in the Period, with revenue increasing 7% to £1.9m (H1'20: £1.8m).

Marketing costs of £0.2m (H1'20: £0.03m) were incurred in order to drive player activity and revenues.

Cash

The Company's cash position at 30 June 2021 was £3.9m, increasing £1.8m from the £2.1m reported at 31 December 2020.

The increase in cash during the period was largely driven through the £2.3m cash inflow from operating activities and £1.0m of deferred consideration received, offset by the £1.6m of development costs capitalised in the Period.

During the period, on 1 April 2021 the Group received £1.0m from River Tech plc for full and final settlement of deferred consideration receivable, certain other receivable balances and various legal proceedings and out of court disputes between the parties.

The Company has a convertible loan of £3.5m owed to Gamesys Group plc (see Note 14), due for repayment on 31 December 2022.

**Consolidated statement of comprehensive income
for the 6 months ended 30 June 2021**

		6M 30 June 2021 Unaudited	6M 30 June 2020 Unaudited
	Note		
Revenue	2	7,745,982	5,180,058
Marketing expenses		(207,428)	(101,408)
Operating expenses		(1,185,859)	(1,043,235)
Administrative expenses		(3,256,425)	(3,007,154)
Share option and related charges	13	(442,571)	(40,075)
Adjusted EBITDA	2	2,678,699	1,239,067
Restructuring expenses	4	(25,000)	(250,881)
EBITDA	2	2,653,699	988,186
Amortisation of intangible assets	7	(1,461,832)	(1,393,651)
Depreciation of property, plant and equipment	6	(97,282)	(108,464)
Finance expense	3	(302,221)	(287,335)
Finance income	3	11,564	108,686
Profit / (loss) before tax		803,928	(692,578)
Tax credit		38,347	62,881
Profit / (loss) for the period		842,275	(629,697)
Other comprehensive income			
<i>Items that will or may be reclassified to profit or loss:</i>			
Exchange (loss) / gain arising on translation of foreign operations		(84,998)	489,466
Total other comprehensive income		(84,998)	489,466
Total comprehensive income		757,277	(140,231)
Profit / (loss) attributable to:			
Owners of the parent		843,833	(627,692)
Non-controlling interest		(1,558)	(2,005)
		842,275	(629,697)
Total comprehensive income attributable to:			
Owners of the parent		758,835	(138,226)
Non-controlling interest		(1,558)	(2,005)
		757,277	(140,231)
Profit / (loss) per share			
		Pence	Pence
Basic	5	0.29	(0.22)
Diluted	5	0.28	(0.22)

**Consolidated statement of financial position
as at 30 June 2021**

		30 June 2021 Unaudited	31 December 2020 Audited
	Note		
Non-current assets			
Intangible assets	7	11,495,250	11,137,123
Other investments	8	-	401,291
Property, plant and equipment	6	583,722	560,793
Other assets		150,387	150,528
		12,229,359	12,249,735
Current assets			
Trade and other receivables	9	3,015,377	2,343,739
Deferred consideration		-	972,554
Finance lease asset		64,469	140,058
Cash and cash equivalents	10	3,923,635	2,105,167
		7,003,481	5,561,518
Total assets		19,232,840	17,811,253
Current liabilities			
Trade and other payables	11	2,159,335	1,943,714
Lease liabilities		257,979	343,859

		2,417,314	2,287,573
Non-current liabilities			
Deferred tax liability		256,287	320,913
Other Creditors	14	3,406,970	3,304,870
Derivative liabilities	14	627,000	627,000
Lease liabilities		247,190	340,175
		4,537,447	4,592,958
Total liabilities		6,954,761	6,880,531
Net assets		12,278,079	10,930,722
Equity			
Share capital	12	28,870,262	28,664,731
Share premium		87,370,856	87,258,166
Merger reserve		(67,673,657)	(67,673,657)
Foreign exchange reserve		1,294,118	1,379,116
Retained earnings		(37,652,565)	(38,768,257)
Total equity attributable to owners of the parent		12,209,014	10,860,099
Non-controlling interest		69,065	70,623
Total equity		12,278,079	10,930,722

**Consolidated statement of cash flows
for the 6 months ended 30 June 2021**

	Note	30 June 2021 Unaudited £	30 June 2020 Unaudited
Cash flows from operating activities			
Profit / (loss) for the period		842,275	(629,697)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	6	97,282	108,464
Amortisation of intangible fixed assets	7	1,461,832	1,393,651
Finance income	3	(11,564)	(108,686)
Finance expense	3	302,221	287,335
Loss on disposal of property, plant and equipment	6	578	-
Income tax credit		(38,347)	(62,881)
Exchange differences		29,803	(127,423)
Share option and related charges	13	442,571	40,075
Increase in trade and other receivables		(877,939)	(1,152,422)
Decrease in trade and other payables		14,909	(293,848)
Increase in other assets		-	(840)
Net cash flows from / (used in) operating activities		2,263,621	(546,272)
Investing activities			
Acquisition of property, plant and equipment	6	(119,847)	(18,891)
Acquisition of intangible assets		(98,473)	-
Capitalised development costs	7	(1,614,370)	(1,099,406)
Proceeds from the sale of other investments	8	362,435	-
Interest received		-	1
Finance lease asset - sublease receipts		78,840	83,700
Net cash used in investing activities		(1,391,415)	(1,034,596)
Financing activities			
Receipt of deferred consideration		972,554	-
IFRS 16 lease payments		(203,878)	(167,193)
Issue of share capital on exercise of options	12	318,221	-
Interest paid		(105,218)	(116,669)
Net cash from / (used in) financing activities		981,679	(283,862)
Net increase / (decrease) in cash and cash equivalents		1,853,885	(1,864,730)
Cash and cash equivalents at beginning of period		2,105,167	2,608,455
Exchange (loss) / gain on cash and cash equivalents		(35,417)	84,686
Cash and cash equivalents at end of period		3,923,635	828,411

**Consolidated statement of changes in equity
for the 6 months ended 30 June 2021**

	Share capital	Share premium	Merger reserve	Foreign Exchange Reserve	Retained earnings	Total to equity	Non- controlling interest	Total equity
								Privacy

						holders of parents		
1 January 2020	28,442,874	87,198,410	(67,673,657)	1,605,782	(37,570,601)	12,002,808	76,716	12,079,524
Loss for the period	-	-	-	-	(627,692)	(627,692)	(2,005)	(629,697)
Other comprehensive income	-	-	-	489,466	-	489,466	-	489,466
Total comprehensive income for the period	-	-	-	489,466	(627,692)	(138,226)	(2,005)	(140,231)
Contributions by and distributions to owners								
Share-based payment on share options (Note 13)	-	-	-	-	40,075	40,075	-	40,075
30 June 2020 (unaudited)	28,442,874	87,198,410	(67,673,657)	2,095,248	(38,158,218)	11,904,657	74,711	11,979,368
1 January 2021	28,664,731	87,258,166	(67,673,657)	1,379,116	(38,768,257)	10,860,099	70,623	10,930,722
Profit for the period	-	-	-	-	843,833	843,833	(1,558)	842,275
Other comprehensive income	-	-	-	(84,998)	-	(84,998)	-	(84,998)
Total comprehensive income for the period	-	-	-	(84,998)	843,833	758,835	(1,558)	757,277
Contributions by and distributions to owners								
Share-based payment on share options (Note 13)	-	-	-	-	271,859	271,859	-	271,859
Exercise of options (Note 12)	205,531	112,690	-	-	-	318,221	-	318,221
30 June 2021 (unaudited)	28,870,262	87,370,856	(67,673,657)	1,294,118	(37,652,565)	12,209,014	69,065	12,278,079

Notes forming part of the consolidated financial statements
For the 6 months ended 30 June 2021

1. Accounting policies

General Information

Gaming Realms plc ("the Company") and its subsidiaries (together "the Group").

The Company is admitted to trading on AIM of the London Stock Exchange. It is incorporated and domiciled in the UK. The address of its registered office is Two Valentine Place, London, SE18QH.

The results for the six months ended 30 June 2021 and 30 June 2020 are unaudited.

Basis of preparation

The financial information for the year ended 31 December 2020 included in these financial statements does not constitute the full statutory accounts for that year. The Annual Report and Financial Statements for 2020 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statement for 2020 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

This interim report, which has neither been audited nor reviewed by independent auditors, was approved by the board of directors on 10 September 2021. The financial information in this interim report has been prepared in accordance with UK adopted international accounting standards. The accounting policies applied by the Group in this financial information are the same as those applied by the Group in its financial statements for the year ended 31 December 2020 and which will form the basis of the 2021 financial statements.

The consolidated financial statements are presented in Sterling.

Going concern

The Group meets its day-to-day working capital requirements from the cash flows generated by its trading activities and its available cash resources.

The Group prepares cash flow forecasts and re-forecasts at least bi-annually as part of the business planning process. A re-forecasting process has been completed for H2 2021 to 2023 in light of the economic uncertainty resulting from the ongoing COVID-19 pandemic. These forecasts have been reviewed by the Directors and show that the Group will continue to have sufficient cash resources available to meet its liabilities as they fall due.

Accordingly, these financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Group will realise its assets and discharge its liabilities in the normal course of business.

Adjusted EBITDA

EBITDA is a non-GAAP company specific measure defined as profit or loss before tax adjusted for finance income and expense, depreciation and amortisation.

Adjusted EBITDA excludes non-recurring material items which are outside the normal scope of the Group's ordinary activities. Adjusted EBITDA is considered to be a key performance measure by the Directors as it serves as an indicator of financial performance. The adjusting items are separately disclosed in order to enhance the reader's understanding of the Group's profitability and cash flow generation. Adjusting items include costs arising from a fundamental restructuring of the Group's operations and redundancy costs.

2. Segment information

The Board is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board for the purposes of allocating resources and assessing performance.

The Group has two reportable segments.

- Licensing - B2B brand and content licensing to partners in the US and Europe; and
- Social publishing - provides B2C freemium games to the US and Europe.

Revenue

The Group has disaggregated revenue into various categories in the following table which is intended to:

- Depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date; and
- Enable users to understand the relationship with revenue segment information provided below.

	Licensing	Social publishing	Other	Total
H1 2021 revenue				
Primary geographical markets				
UK, including Channel Islands	381,898	-	-	381,898
USA	1,228,086	1,930,171	-	3,158,257
Isle of Man	2,533,481	-	-	2,533,481
Rest of the World	1,672,346	-	-	1,672,346
	5,815,811	1,930,171	-	7,745,982
Contract counterparties				
Direct to consumers (B2C)	-	1,930,171	-	1,930,171
B2B	5,815,811	-	-	5,815,811
	5,815,811	1,930,171	-	7,745,982
Timing of transfer of goods and services				
Point in time	5,735,657	1,930,171	-	7,665,828
Over time	80,154	-	-	80,154
	5,815,811	1,930,171	-	7,745,982

	Licensing	Social publishing	Other	Total
H1 2020 revenue				
Primary geographical markets				
UK, including Channel Islands	226,376	-	-	226,376
USA	1,092,749	1,809,774	2,400	2,904,923
Isle of Man	1,295,490	-	-	1,295,490
Rest of the World	753,269	-	-	753,269
	3,367,884	1,809,774	2,400	5,180,058
Contract counterparties				
Direct to consumers (B2C)	-	1,809,774	-	1,809,774
B2B	3,367,884	-	2,400	3,370,284
	3,367,884	1,809,774	2,400	5,180,058
Timing of transfer of goods and services				
Point in time	3,207,576	1,809,774	2,400	5,019,750
Over time	160,308	-	-	160,308
	3,367,884	1,809,774	2,400	5,180,058

Adjusted EBITDA

	Licensing	Social publishing	Head Office	Total
H1 2021				
Revenue	5,815,811	1,930,171	-	7,745,982
Marketing expense	(12,389)	(157,862)	(37,177)	(207,428)
Operating expense	(606,247)	(579,612)	-	(1,185,859)
Administrative expense	(1,741,832)	(583,265)	(906,328)	(3,231,425)
Share option and related charges	(85,401)	(4,745)	(352,425)	(442,571)
Adjusted EBITDA - continuing	3,369,942	604,687	(1,295,930)	2,678,699
Restructuring expenses				(25,000)
EBITDA - continuing				2,653,699

	Licensing	Social publishing	Head Office	Total
H1 2020				
Revenue	3,367,884	1,809,774	2,400	5,180,058
Marketing expense	(8,608)	(34,051)	(58,749)	(101,408)
Operating expense	(515,894)	(529,567)	2,226	(1,043,235)
Administrative expense	(1,112,048)	(413,001)	(1,231,224)	(2,756,273)
Share option and related charges	-	-	(40,075)	(40,075)
Adjusted EBITDA - continuing	1,731,334	833,155	(1,325,422)	1,239,067
Restructuring expenses				(250,881)

EBITDA - continuing	988,186
---------------------	---------

3. Finance income and expense

	6M 30 June 2021	6M 30 June 2020
Finance income		
Interest received	6,306	1
Interest income on finance lease asset	5,258	11,642
Interest income on unwind of deferred consideration receivable	-	97,043
Total finance income	11,564	108,686
Finance expense		
Bank interest paid	8,743	8,722
Fair value loss on other investments	38,856	26,575
Effective interest on other creditor	228,575	213,304
Interest expense on lease liability	26,047	38,734
Total finance expense	302,221	287,335

4. Adjusted EBITDA

EBITDA and Adjusted EBITDA are non-GAAP measures and exclude exceptional items, depreciation, and amortisation. Exceptional items are those items the Group considers to be non-recurring or material in nature that may distort an understanding of financial performance or impair comparability.

Adjusted EBITDA is stated before exceptional items as follows:

	6M 30 June 2021	6M 30 June 2020
Restructuring expenses	(25,000)	(250,881)
Adjusting items	(25,000)	(250,881)

Restructuring expenses

Restructuring costs of £25k (H1 2020: £251k) were incurred relating to restructuring and redundancy costs.

5. Earnings per share

Basic earnings per share is calculated by dividing the result attributable to ordinary shareholders by the weighted average number of shares in issue during the period. The calculation of diluted EPS is based on the result attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The Group's potentially dilutive securities consist of share options and a convertible loan (see Note 14). The convertible loan is anti-dilutive and so is ignored in calculating diluted EPS.

	6M 30 June 2021	6M 30 June 2020
Profit / (loss) after tax attributable to the owners of the parent Company	843,833	(627,692)
Number	Number	
<i>Denominator - basic</i>		
Weighted average number of ordinary shares	288,157,560	284,428,747
<i>Denominator - diluted</i>		
Weighted average number of ordinary shares	288,157,560	284,428,747
Weighted average number of option shares	12,332,327	-
Weighted average number of shares	300,489,887	284,428,747
Pence	Pence	
Basic earnings per share	0.29	(0.22)
Diluted earnings per share	0.28	(0.22)

6. Property, plant and equipment

	ROU lease assets	Leasehold improvements	Computers and related equipment	Office furniture and equipment	Total
Cost					
At 1 January 2021	769,613	76,059	206,367	77,209	1,129,248
Additions	-	-	119,189	658	119,847
Disposals	-	-	(28,763)	-	(28,763)
Exchange differences	1,736	(63)	1,056	435	3,164
At 30 June 2021	771,349	75,996	297,849	78,302	1,223,496
Accumulated depreciation and impairment					
At 1 January 2021	304,667	29,717	172,932	61,139	568,455
Depreciation charge	75,105	7,968	10,221	3,988	97,282
Disposals	-	-	(28,185)	-	(28,185)
Exchange differences	1,037	(62)	717	530	2,222
At 30 June 2021	380,809	37,623	155,685	65,657	639,774
Net book value					
At 31 December 2020	464,946	46,342	33,435	16,070	560,793
At 30 June 2021	390,540	38,373	142,164	12,645	583,722

7. Intangible assets

	Goodwill	Customer database	Software	Development costs	Licenses	Domain names	Intellectual Property	Total
Cost								
At 1 January 2021	6,697,219	1,475,650	1,384,223	14,232,892	-	8,785	5,786,179	29,584,948
Additions	-	-	76,286	1,614,370	212,515	-	-	1,903,171
Exchange differences	(59,611)	(17,612)	(14,194)	(2,371)	-	(105)	(69,333)	(163,226)
At 30 June 2021	6,637,608	1,458,038	1,446,315	15,844,891	212,515	8,680	5,716,846	31,324,893
Accumulated amortisation and impairment								
At 1 January 2021	1,650,000	1,475,650	1,384,223	10,030,745	-	8,785	3,898,422	18,447,825
Amortisation charge	-	-	12,749	1,076,512	15,945	-	356,626	1,461,832
Exchange differences	-	(17,612)	(14,194)	(2,295)	-	(105)	(45,808)	(80,014)
At 30 June 2021	1,650,000	1,458,038	1,382,778	11,104,962	15,945	8,680	4,209,240	19,829,643
Net book value								
At 31 December 2020	5,047,219	-	-	4,202,147	-	-	1,887,757	11,137,123
At 30 June 2021	4,987,608	-	63,537	4,739,929	196,570	-	1,507,606	11,495,250

8. Other investments

The other investment balance comprises a 6.6% interest in Ayima Group AB ("Ayima"). The shares of Ayima are quoted on AktieTorget, a Nordic stock exchange (www.aktietorget.se). The investment is remeasured each reporting period to fair value based on the quoted share price.

During the period the Group disposed of its entire shareholding in Ayima, generating cash proceeds on disposal of £0.4m bringing the investment balance to £Nil (31 December 2020: £401,291).

9. Trade and other receivables

	30 June 2021	31 December 2020
Trade receivables	1,383,856	1,319,769
Other receivables	35,337	216,207
Tax and social security	179,507	5,288
Prepayments and accrued income	1,416,677	802,475
	3,015,377	2,343,739

All amounts shown fall due for payment within one year.

10. Cash and cash equivalents

	30 June 2021	31 December 2020	30 June 2020
Cash and cash equivalents	3,923,635	2,105,167	846,793
Restricted cash	-	(18,382)	(18,382)
Cash and cash equivalents for Statement of Cash Flows	3,923,635	2,086,785	828,411

Restricted cash in previous periods relates to funds held in Swiss subsidiaries which are currently undergoing liquidation. The funds are restricted and are not included in the consolidated statement of cash flows.

11. Trade and other payables

	30 June 2021	31 December 2020
Trade payables	592,895	368,402
Other payables	139,605	290,543
Tax and social security	175,259	122,533
Accruals	1,251,576	1,162,236
	2,159,335	1,943,714

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

12. Share capital

	30 June 2021	30 June 2021	31 December 2020	31 December 2020
Ordinary shares	Number		Number	
Ordinary shares of 10 pence each	288,702,626	28,870,262	286,647,315	28,664,731

The increase of 2,055,311 ordinary shares relates to the exercise of share options during the period. The total amount received by the Company for the exercise price settlement was £318,221, which has been recorded as an increase in share capital and share premium as follows:

	£
Share capital	205,531
Share premium	112,690
	318,221

13. Share based payments

The share option and related charges income statement expense comprises:

	6M 30 June 2021	6M 30 June 2020
IFRS 2 share-based payment charge	271,859	40,075
Direct taxes related to share options	170,712	-
	442,571	40,075

IFRS 2 (Share-based payments) requires that the fair value of equity settled transactions are calculated and systematically charged to the statement of comprehensive income over the vesting period. The total fair value that was charged to the income statement in the period in relation to equity-settled share-based payments was £271,859 (H1 2020: £40,075).

Where individual EMI thresholds are exceeded or when unapproved share options are exercised by overseas employees, the Group is subject to employer taxes payable on the taxable gain on exercise. Since these taxes are directly related to outstanding share options, the income statement charge has been included within share option and related charges. The Group uses its closing share price at the reporting date to calculate such taxes to accrue. The tax related income statement charge for the period was £170,712 (H1 2020: £Nil).

On 5 January 2021, certain employees of the Group were granted a total of 350,000 share options, which vest in three equal tranches on 1 January 2022, 1 January 2023 and 1 January 2024. The options have an exercise price of 22.4 pence per share.

14. Arrangement with Gamesys Group plc

In December 2017 the Group entered into a complex transaction with Gamesys Group plc and Group companies (together 'Gamesys Group'). The transaction includes a £3.5m secured convertible loan agreement alongside a 10-year framework services agreement for the supply of various real money services. Under the framework services agreement the first £3.5m of services are provided free of charge within the first 5 years.

The convertible loan has a duration of 5 years and carried interest at 3-month LIBOR plus 5.5%. It is secured over the Group's Slingo assets and business. At any time after the first year, Gamesys Group plc may elect to convert all or part of the principal amount into ordinary shares of Gaming Realms plc at a discount of 20% to the share price prevailing at the time of conversion. To the extent that the price per share at conversion is lower than 10p (nominal value), then the shares can be converted at nominal value with a cash payment equal to the aggregate value of the convertible loan outstanding multiplied by the shortfall on nominal value payable to Gamesys Group plc. Under this arrangement the maximum dilution to Gaming Realms shareholders will be approximately 11% assuming the convertible loan is converted in full.

The option violates the fixed-for-fixed criteria for equity classification as the number of shares is variable and as a result is classified as a liability.

The fair value of the conversion feature is determined each reporting date with changes recognised in profit or loss. The initial fair value was £0.6m based on a probability assessment of conversion and future share price. This is a level 3 valuation as defined by IFRS 13. The fair value as at 30 June 2021 was £0.6m (31 December 2020: £0.6m) based on revised probabilities of when and if the option will be exercised. The key inputs into the valuation model included timing of exercise by the counterparty (based on a probability assessment) and the share price.

The initial fair value of the host debt was calculated as £2.7m, being the present value of expected future cash outflows. The initial rate used to discount future cash flows was 14.1%, being the Group's incremental borrowing rate. The rate was calculated by reference to the Group's cost of equity in the absence of reliable alternative evidence of the Group's cost of borrowing given it is predominantly equity funded. Expected cash flows are based on the directors' judgement that a change in control event would not occur. Subsequently the loan is carried at amortised cost.

The residual £0.2m of proceeds were allocated to the obligation of provide free services.

	Fair value of debt host	Obligation to provide free services	Fair value of derivative Liability	Total
At 1 January 2021	3,155,870	149,000	627,000	3,931,870
Utilisation of free services	-	(30,000)	-	(30,000)
Effective interest	228,575	-	-	228,575
Interest paid	(96,475)	-	-	(96,475)
At 30 June 2021	3,287,970	119,000	627,000	4,033,970

15. Related party transactions

Jim Ryan is a Non-Executive Director of the Company and the CEO of Pala Interactive, which has a real-money online casino and bingo site in New Jersey. During the period, total license fees earned by the Group were \$24,862 (H1 2020: \$22,592) with \$12,668 due at 30 June 2021 (30 June 2020: \$7,599).

Jim Ryan is a Non-Executive Director of Gamesys Group plc. In December 2017 the Group entered into a 10-year framework services agreement and a 5-year convertible loan agreement for £3.5m with Gamesys Group plc (see Note 14).

During the period £75,000 (H1 2020: £48,333) of consulting fees were paid to Dawnglen Finance Limited, a company controlled by Michael Buckley. No amounts were owed at 30 June 2021 (30 June 2020: £Nil).

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

IR DKBBKKBKDQCD