Gaming Realms plc

(the "Company" or the "Group")

Annual Results 2021

Strong performance underpinned by increased global presence

Licensing strategy delivering adjusted EBITDA[1] growth of 69% and adjusted EBITDA of £5.7m[2]

Gaming Realms plc (AIM: GMR), the developer and licensor of mobile focused gaming content, announces its annual results for the year ended 31 December 2021 and Q1 highlights for 2022.

Gaming Realms' licensing strategy has enabled the Group to grow revenues at high margins during FY21. The Group launched in several new regulated iGaming markets which will provide continued growth in the coming year.

2021 Financial Highlights:

- Revenue increased by 29% to £14.7m (2020: £11.4m) for the year
  - Licensing revenue increased 48% to £11.1m (2020: £7.5m)
  - Social publishing revenue decreased 8% to £3.6m (2020: 3.9m). On a constant currency basis, the decline was 1%
- Adjusted EBITDA before share option and related charges increased 71% to £5.7m (2020: £3.3m)
- EBITDA increased 146% to £5.0m (2020: £2.0m)
  - Licensing segment generated £6.4m EBITDA (2020: £3.5m)
  - Social publishing segment generated £1.1m EBITDA (2020: £1.4m)
  - Head office costs were £2.5m (2020: £2.9m including £0.7m of restructuring costs and impairment charges) due largely to the increase in share option and related charges and growth in business activities
- Profit after tax for the year of £1.3m (2020: Loss of £1.5m)
- Year-end cash balance increased to £4.4m (2020: £2.1m)

2021 Operational Highlights:

- Increased portfolio to 53 proprietary games on the Group's remote game server ("RGS") (2020: 44)
- Launched in 2 regulated iGaming markets in the U.S. in Michigan and Pennsylvania
- Launched in European regulated iGaming markets in Italy, Romania and the Netherlands
- Launched with 35 new partners for Slingo Originals content including Wynnbet, Sisal, Aspire Global and Goldbet
- Signed inward brand licensing deals with Everi, Discovery Channel, IGT, Play AGS, Pragmatic Play
- Increased unique players in licensing business by 48%
- Prepared for launch in the Ontario, Quebec and Spanish markets
- Extended brand licensing deal with Scientific Games for Slingo branded lottery instant scratch cards

Q1 2022 Highlights:

- Increased licensing revenue 43% in Q1 2022 to £3.0m (Q1 2021: £2.1m)
- Launched in Spain with Gamesys and Yo Bingo (part of Rank Group)
- Launched with Loto-Québec
- Obtained iGaming Supplier Licence from Ontario with subsequent launch earlier this month

- Released four new Slingo games: *Slingo Superspin, Slingo Fire & Ice* and *Slingo Racing*

---

[1] EBITDA is profit before interest, tax, depreciation, amortisation and impairment expenses and is a non-GAAP measure. The Group uses EBITDA and adjusted EBITDA to comment on its financial performance. Adjusted EBITDA is EBITA excluding non-recurring material items which are outside the normal scope of the Group's ordinary activities. Adjusting items in the prior year include management restructuring costs and impairment of financial assets.
[2] Adjusted EBITDA before share option and related charges.

Outlook:

Gaming Realms continues to deliver on its strategy of expanding its game portfolio and launching into new regulated markets. In 2021, the Group launched in 5 new regulated markets, including Michigan and Pennsylvania in the U.S., and will continue to grow its market share in these territories during 2022. Since the beginning of 2022, the Group has launched its Slingo portfolio in Spain and, more recently, Canada through the newly launched market in Ontario and with Loto-Québec. With 10 new partners launched to date in 2022, together with the launch of 4 new Slingo games, the Board is confident in the Group's strategy and expectations for the current year. Whilst still early in the year, the Company is currently trading ahead of management expectations and therefore is confident in the outlook for the year.

Commenting on the Group's performance, Michael Buckley, Executive Chairman, said:

"2021 was another exceptional year for the Group as we expanded our Slingo portfolio and entered new regulated iGaming markets, increasing revenue by 29% and producing a maiden profit for the financial year of £1.3m.

"Our core licensing business continued to go from strength to strength as we secured 35 new licensing and distribution partners throughout the year that supported a 48% growth in the number of unique players enjoying our content globally.

"The Group's commitment to increasing our global presence during the period has provided us with a strong foundation on which to deliver further growth in 2022 as we remain focused on expanding our foothold in these territories. Momentum has certainly continued into the year so far, having already released four new games and launched in both Spain and Canada. With additional planned launches in new markets and with new partners in the pipeline, we look forward to providing further updates in due course."

An analyst briefing will be held virtually at 9:00am today. To attend, please email gamingrealms@yellowjerseypr.com.

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 Lalit Bose	
Yellow Jersey	07747 788 221
Charles Goodwin Annabel Atkins Annabelle Wills	

About Gaming Realms
Gaming Realms creates and licenses innovative games for mobile, with operations in the UK, U.S., Canada and Malta. Through its unique IP and brands, Gaming Realms is bringing together media, entertainment and gaming

assets in new game formats. The Gaming Realms management team includes accomplished entrepreneurs and experienced executives from a wide range of leading gaming and media companies.

Executive Chairman's Statement

Introduction
The Group made excellent progress during the year, increasing revenues by 29% to £14.7m (2020: £11.4m), and adjusted EBITDA by 71% to £5.7m (2020: £3.3m) before share options and related charges. We invested heavily in our proprietary Remote Game Server "RGS" platform, and expanded into multiple regulated markets. We also increased our Slingo Originals game portfolio to 53 with the addition of 10 new games, and licenced Slingo into adjacent markets including our lottery deal for physical scratch cards in North America.

This resulted in revenue growth of 48% in our licensing business to £11.1m (2020: £7.5m), and we are continuing to see strong momentum in this area with increased international demand for our Slingo Originals portfolio. With growing distribution via our RGS combined with control of overheads, we were able to increase our EBITDA margin within the licensing division to 57% (2020: 50%).

Licensing business highlights:

- Increased library of proprietary games to 53 games in total at year-end.
- Went live with 35 new partners during the year, all of whom have licensed the Company's Slingo Originals content.
- Launched in 2 additional regulated iGaming markets in the U.S. being Michigan and Pennsylvania.
- Launched in 3 regulated iGaming markets in Europe, being Romania, Italy and the Netherlands.
- Increased unique players in the year by 48% to 3.36m (2020: 2.28m).
- Signed deals with IGT, Play AGS and Pragmatic Play as partners for new branded Slingo games.
- With growth in New Jersey, together with launches in Michigan and Pennsylvania in the second half of the year, U.S. content licensing revenues grew 47% in 2021, and by 56% with constant currency conversion.
- Extended brand licensing deal with Scientific Games for Slingo branded lottery instant scratch games.

We continue to operate our Social business as a partially integrated division. This gives us an opportunity to rebrand our real money games for social users, and monetise them further. It also keeps the Slingo brand within the Group, and has the advantage of bringing our games to a wider audience, many of whom play for real money as and when they are in a regulated territory.

Revenue from Social decreased 8% to £3.6m (2020: £3.9m), but this decline was marginal at 1% on a constant currency basis. EBITDA decreased to £1.1m (2020: £1.4m), the decline again exaggerated by currency movements. However, the Social business continued to provide a positive cash contribution to the Group.

North America
The Group made significant progress during 2021 towards expanding its presence in the U.S. iGaming market beyond New Jersey, being granted additional full iGaming Supplier Licences in the U.S. states of Michigan and Pennsylvania. An application process was started for a supplier license in Ontario, Canada, which was subsequently granted in March 2022. Ontario is likely to be a larger market than any of the currently regulated U.S. states.

Capitalising on these opportunities, we signed a number of direct integration and multi-State deals, and the Group now has licensing agreements 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, Parx, Tropicana/Gamesys and Caesars Entertainment. The Company also has direct integrations with BetMGM, Draftkings, Rush Street Interactive, Fanduel, Golden Nugget, Gamesys, Wynn Interactive and 888.

Europe

Gaming Realms continued to strengthen its position in the growing European market having successfully launched in the Italian iGaming market with Goldbet and Sisal in January 2021.

In November 2021, Gaming Realms entered the regulated Romanian iGaming market through a partnership agreement with Superbet, the largest digital and retail betting operator in Romania. Superbet now publishes many of the games from the Slingo Original's portfolio.

Further bolstering its European presence, Gaming Realms went live in December 2021 with JVH gaming and entertainment group in the newly regulated Dutch market under the Jack's Casino and Sports brand ("Jack's Casino").

Board and employees

Despite a number of Covid-19-related challenges during 2021, the Group's senior management and staff demonstrated outstanding teamwork and resilience, and the operational and financial outcomes achieved during the year owe much to their skill and commitment. On behalf of the Board and shareholders, I would like to pass on my sincere thanks to all of them.

After joining the Board in 2019, Chris Ash resigned as a Non-Executive Director of the Company in September 2021 given conflicts of interest that could arise from our third-party distribution agreement with 4ThePlayer.com, of which he is a Director. On behalf of the Company, I would like to thank Chris once again for the valuable guidance and strategic advice he provided in scaling our licensing business.

Post Period End and Outlook

Gaming Realms continues to focus on the following areas:

- International expansion - particularly in the US and European regulated markets
- Adding new distributors, operators and licensors
- Further penetration with existing distributors and operators driven by new games

Momentum has continued into 2022, with Gaming Realms focusing on regulated markets and North America in particular. In this regard, we launched our game portfolio in Ontario on 4 April 2022, having already gone live with Loto Quebec in March. With the increased number of states we are now in, together with our multi-State deals with the largest operators, we are well placed to gain market share in North America.

In January of this year, the Group entered the regulated Spanish market with long-term strategic partner Gamesys (now part of Bally's Corporation) under its Monopoly and Botamania brands and has since launched with Yo Bingo (part of Rank Group). Looking to the future, we have recently signed a deal with Microgaming, one of the largest distributors of content in the industry, and hope to launch our game portfolio with some of their partners shortly.

We have already increased our games portfolio with 4 new games in 2022, and during the course of this year we will introduce new marketing features on our platform. These developments will maintain and drive stronger relationships with our partners and players. The Company has made an excellent start to the current year, with licensing revenues increasing by 43% year-on-year for the first quarter of 2022, and unique players increasing by 39% to over 1.5 million in the same period. This strong performance in the first quarter, combined with new markets and partners coming on stream, leads your Board to believe the Company will continue to grow significantly following its proven successful strategy.

Michael Buckley
Executive Chairman

Financial Review

Overview
The Group's financial results for the year ended 31 December 2021 reflect the continued delivery of the core strategy of scaling the licensing business.

The Group delivered total revenue growth of 29% to £14.7m (2020: £11.4m), driven by the performance of the licensing business.

For the year, the Group delivered adjusted EBITDA before share option and related charges of £5.7m (2020: £3.3m) which has translated into the Group recording a pre-tax profit of £1.0m compared with a £1.6m loss in the previous year.

The £1.0m pre-tax profit represents a £2.6m increase on the previous year (2020: £1.6m pre-tax loss). This is materially explained by; the £2.0m increase in adjusted EBITDA generated in the current year, no adjusting items in the current year (2020: £0.9m total charge for restructuring expenses and an impairment against financial assets), offset by a £0.2m increase in the current year amortisation charge and £0.1m higher net finance costs.

The table below sets out the split of revenue and adjusted EBITDA:

2021	**Licensing £**	**Social Publishing £**	**Head office £**	**Total £**
Revenue	**11,100,085**	**3,567,616**	**-**	**14,667,701**
Marketing expense	**(20,348)**	**(282,579)**	**(76,303)**	**(379,230)**
Operating expense	**(1,209,530)**	**(992,789)**	**-**	**(2,202,319)**
Administrative expense	**(3,325,714)**	**(1,228,709)**	**(1,856,570)**	**(6,410,993)**
Share option and related charges	**(170,062)**	**(7,441)**	**(521,691)**	**(699,194)**
Adjusted EBITDA	**6,374,431**	**1,056,098**	**(2,454,564)**	**4,975,965**

2020	Licensing £	Social Publishing £	Head office £	Total £
Revenue	7,515,114	3,885,971	2,401	11,403,486
Marketing expense	(18,528)	(242,667)	(94,199)	(355,394)
Operating expense	(1,070,766)	(1,161,266)	-	(2,232,032)
Administrative expense	(2,610,275)	(1,090,014)	(1,803,905)	(5,504,194)
Share option and related charges	(70,764)	(6,906)	(294,674)	(372,344)
Adjusted EBITDA	3,744,781	1,385,118	(2,190,377)	2,939,522

Performance
Year-on-year Group revenues increased 29% to £14.7m (£2020: £11.4m) due to the strong performance of the licensing segment, offset by an 8% decline in social publishing revenues in the year.

The overall Group generated adjusted EBITDA of £5.0m (2020: £2.9m) and £5.7m before share option and related charges (2020: £3.3m). Adjusting items in the prior year relate to management restructuring costs and impairment of financial assets, while there were no such costs in the current year.

Operating expenses incurred remained stable compared with the previous year at £2.2m (2020: £2.2m). Between the segments this was split between a £0.1m increase in revenue associated operational costs in the licensing segment offset against £0.2m lower operational costs in the social publishing division due to revenue driven costs falling in line with segmental revenues.

Adjusted administrative expenses increased to £6.4m (2020: £5.5m) predominantly due to increased staff costs in the licensing segment required to deliver the segments growth, along with other incremental business expansion costs.

Licensing
Licensing segment revenues increased 48% to £11.1m (2020: £7.5m). This can be split as:

- Content licensing revenue growth of 36% to £9.1m (2020: £6.7m); and
- Brand licensing revenue increasing 137% to £2.0m (2020: £0.9m).

The segment delivered £6.4m adjusted EBITDA (2020: £3.7m).

Content licensing
Growth in the content licensing business remains the key focus of the Group. The current year performance reflects the successful implementation of the Group's strategy of growing the games portfolio and increasing the distribution footprint to an increased number of operators in Europe and the U.S.

During 2021 the Group began operating with partners in 5 new regulated markets; Italy, Romania, the Netherlands, and the U.S. states of Michigan and Pennsylvania. After the year-end, the Group was awarded an iGaming supplier license within the Canadian province of Ontario and started trading in April 2022. The Group also started trading in the Spanish regulated market in January 2022.

Outside of going live with partners in these newly entered regulated markets, we also went live with a further 18 partners during 2021 in existing markets in Europe and New Jersey. This has been further bolstered with an additional 10 partners going live in 2022 to date in these jurisdictions.

The strong operational leverage and largely fixed cost base of the segment's content business model allowed total expenses (excluding share option and related costs) to increase by 23% to £4.6m (2020: £3.7m) compared to the 36% content licensing revenue increase.

The Group released 10 new Slingo games to the market during 2021, including Slingo Starburst and Slingo Lucky Larry's Lobstermania. Due to the popularity of Slingo as a genre amongst our partners and players, in addition to these new Slingo games, a number of partner themed Slingo and table games were released to the market during the year.

A key focus of the segment remains identifying and partnering with the leading gaming brands in the market, in order to bring the best possible content to players. During the year we released new Slingo game collaborations with key partners including King Show Games, NetEnt and Pragmatic Play. Further agreements were entered into during the year for the development of innovative new Slingo collaborations, which will be released to the market in 2022.

Revenues from North America continue to be a focus for the segment, and in 2021 increased to £4.5m (2020: £2.4m), representing 40% of total licensing revenues (2020: 32%). We anticipate this to increase further in 2022 with a full year of trading in Michigan and Pennsylvania, as well as the impact of the recent entry into the Ontario market and expected entry into the Connecticut market later in 2022.

Brand licensing
The significant £1.1m increase in brand licensing revenues in 2021 compared with the prior year is predominantly the result of a significant deal completed in the year.

The Group's Slingo brand is well-known by consumers, which allows us to license this brand into adjacent markets where the right opportunities arise.

Social publishing
The Group's social publishing business saw an 8% decline in revenues to £3.6m (2020: £3.9m), largely as a result of currency headwinds experienced during 2021, with the majority of the segments transactions denominated in U.S. Dollars. At constant currency, the revenue of the segment would have decreased by 1% as opposed to the reported 8%.

Operational costs, which are largely driven by revenues, reduced by 15% from the previous year to £1.0m (2020: £1.2m).

Marketing expenses of £0.3m were incurred (2020: £0.2m) with the aim of driving player activity and revenues.

The 13% increase in segmental administrative expenses is due to investment in the development and operational team. In recent years there has been a successful implementation of cost controls, which has resulted in the segment having a stable fixed cost base. Excluding staff costs, segmental administrative expenses remained stable with the prior year, increasing 3%.

As a result, the segment delivered £1.1m adjusted EBITDA for the year, a 24% reduction on the £1.4m in 2020.

Cashflow, Balance Sheet and Going Concern
Net cash increased by £2.3m in 2021 (2020: decreased by £0.5m) to £4.4m at 31 December 2021 (2020: £2.1m).

The current year increase in net cash was largely driven through the £5.0m cash inflow from operating activities (2020: £2.0m) and £1.0m deferred consideration received (2020: £Nil), offset by the £3.4m of development costs capitalised in the year (2020: £2.4m).

The £1.0m increase in development costs capitalised in 2021 compared with the previous year is a function of the Group investing in the development teams in both the licensing and social publishing segments, to enable the delivery of an expanded games portfolio in both segments, and to develop and enhance the Group's proprietary RGS with new tools, features and capabilities to cater for the demands of expanding partner and territory numbers.

During the year, the Group received £1.0m from River Tech plc ("River") for full and final settlement of the deferred consideration receivable, certain other receivable balances, and various legal proceedings and out of court disputes between the parties.

Net assets totaled £13.1m (2020: £10.9m).

The prolonged COVID-19 pandemic has brought significant uncertainty to global markets and economies, including the real money gambling sector. The Directors have performed qualitative and quantitative assessments of the associated risks facing the business and its ability to meet its short and medium-term forecasts. The forecasts were subject to stress testing to analyse the reduction in forecast revenues required to bring about insolvency of the Company unless capital was raised. In such cases it is anticipated that mitigation actions, such as reduction in overheads could be implemented to stall such an outcome.

The Directors confirm their view that they have carried out a robust assessment of the emerging and principal risks facing the business. As a result of the assessment performed, the Directors consider that the Group has adequate resources to continue its normal course of operations for the foreseeable future.

Dividend
During the year, Gaming Realms did not pay an interim or final dividend. The Board of Directors are not proposing a final dividend for the current year.

Corporation and deferred taxation
The Group received £0.1m (2020: £0.05m) in research and development credits in Canada. A current year tax credit of £0.3m (2020: £0.05m) largely relates to the unwind of deferred tax of £0.1m (2020: £0.1m) which arose on prior year business combinations.

Mark Segal
Chief Financial Officer

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021	2020
	£	**£**
Revenue	**14,667,701**	11,403,486
Marketing expenses	**(379,230)**	(355,394)
Operating expenses	**(2,202,319)**	(2,232,032)
Administrative expenses	**(6,410,993)**	(5,971,970)
Impairment of financial asset	**-**	(449,422)
Share option and related charges	**(699,194)**	(372,344)
Adjusted EBITDA	**4,975,965**	2,939,522
Impairment of financial asset	**-**	(449,422)
Restructuring expenses	**-**	(467,776)
EBITDA	**4,975,965**	2,022,324
Amortisation of intangible assets	**(3,064,299)**	(2,817,043)
Depreciation of property, plant and equipment	**(216,834)**	(216,323)
Impairment of property, plant and equipment	**-**	(22,876)
Impairment of goodwill	**(73,677)**	-
Finance expense	**(689,935)**	(882,032)
Finance income	**26,496**	333,664
Profit / (loss) before tax	**957,716**	(1,582,286)
Tax credit	**296,436**	48,229
Profit / (loss) for the financial year	**1,254,152**	(1,534,057)
Other comprehensive income / (loss)		
Items that will or may be reclassified to profit or loss:		
Exchange gain / (loss) arising on translation of foreign operations	**39,153**	(226,666)
Total other comprehensive income / (loss)	**39,153**	(226,666)
Total comprehensive income / (loss)	**1,293,305**	(1,760,723)
Profit / (loss) attributable to:		
Owners of the parent	**1,257,698**	(1,527,964)
Non-controlling interest	**(3,546)**	(6,093)
	1,254,152	(1,534,057)
Total comprehensive income / (loss) attributable to:		
Owners of the parent	**1,296,851**	(1,754,630)
Non-controlling interest	**(3,546)**	(6,093)

	1,293,305	(1,760,723)
Profit / (loss) per share	**Pence**	Pence
Basic	**0.44**	(0.54)
Diluted	**0.42**	(0.54)

Consolidated Statement of Financial Position

As at 31 December 2021

	31 December 2021	31 December 2020
	£	**£**
Non-current assets		
Intangible assets	**11,815,598**	11,137,123
Other investments	**-**	401,291
Property, plant and equipment	**484,578**	560,793
Other assets	**150,646**	150,528
	12,450,822	12,249,735
Current assets		
Trade and other receivables	**3,260,687**	2,343,739
Deferred consideration	**-**	972,554
Finance lease asset	**-**	140,058
Cash and cash equivalents	**4,412,375**	2,105,167
	7,673,062	5,561,518
Total assets	**20,123,884**	17,811,253
Current liabilities		
Trade and other payables	**2,241,114**	1,943,714
Lease liabilities	**172,887**	343,859
Other Creditors	**3,489,278**	-
Derivative liabilities	**744,000**	-
	6,647,279	2,287,573
Non-current liabilities		
Other Creditors	**-**	3,304,870
Derivative liabilities	**-**	627,000
Deferred tax liability	**199,876**	320,913
Lease liabilities	**168,227**	340,175
	368,103	4,592,958
Total liabilities	**7,015,382**	6,880,531
Net assets	**13,108,502**	10,930,722
Equity		
Share capital	**28,970,262**	28,664,731
Share premium	**87,370,856**	87,258,166

Merger reserve	**(67,673,657)**	(67,673,657)
Foreign exchange reserve	**1,418,269**	1,379,116
Retained earnings	**(36,977,228)**	(38,768,257)
Total equity attributable to owners of the parent	**13,108,502**	10,860,099
Non-controlling interest	**-**	70,623
Total equity	**13,108,502**	10,930,722

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021	2020
	£	£
Cash flows from operating activities		
Profit / (loss) for the financial year	**1,254,152**	(1,534,057)
Adjustments for:		
Depreciation of property, plant and equipment	**216,834**	216,323
Impairment of property, plant and equipment	**-**	22,876
Loss / (profit) on disposal of property, plant and equipment	**2,125**	(1,000)
Loss on disposal of intangible assets	**(2,004)**	-
Impairment of goodwill	**73,677**	-
Amortisation of intangible fixed assets	**3,064,299**	2,817,043
Impairment of financial asset	**-**	449,422
Finance income	**(26,496)**	(333,664)
Finance expense	**689,935**	882,032
Income tax credit	**(296,436)**	(48,229)
Exchange differences	**22,374**	(54,940)
Share based payment expense	**466,254**	330,308
Increase in trade and other receivables	**(745,778)**	(463,237)
Increase / (decrease) in trade and other payables	**208,400**	(233,543)
Net cash flows from operating activities before taxation	**4,927,336**	2,049,334
Net tax received / (paid) in the year	**40,439**	(33,717)
Net cash flows from operating activities	**4,967,775**	2,015,617
Investing activities		
Acquisition of property, plant and equipment	**(141,546)**	(30,143)
Acquisition of intangible assets	**(323,608)**	-
Capitalised development costs	**(3,435,308)**	(2,440,559)
Proceeds from disposal of property, plant and equipment	**-**	1,000
Disposal of other investments	**362,436**	-
Interest received	**145**	47
Finance lease asset - sublease receipts	**146,505**	163,324
Net cash used in investing activities	**(3,391,376)**	(2,306,331)
Financing activities		
Receipt of deferred consideration	**972,554**	-

Principal paid on lease liability	**(388,494)**	(300,086)
Issue of share capital on exercise of options	**418,221**	281,613
Interest paid	**(215,169)**	(225,516)
Net cash from / (used in) financing activities	**787,112**	(243,989)
Net increase / (decrease) in cash and cash equivalents	**2,363,511**	(534,703)
Cash and cash equivalents at beginning of year	**2,086,785**	2,608,455
Exchange (loss) / gain on cash and cash equivalents	**(37,921)**	13,033
Cash and cash equivalents at end of year	**4,412,375**	2,086,785

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital	**Share premium**	**Merger reserve**	**Foreign Exchange Reserve**	**Retained earnings**	**Total to equity holders of parents**	**Non-controlling interest**	**Total equity**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**
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 year	-	-	-	-	(1,527,964)	(1,527,964)	(6,093)	(1,534,057)
Other comprehensive income	-	-	-	(226,666)	-	(226,666)	-	(226,666)
Total comprehensive income for the year	-	-	-	(226,666)	(1,527,964)	(1,754,630)	(6,093)	(1,760,723)
Contributions by and distributions to owners								
Share-based payment on share options	-	-	-	-	330,308	330,308	-	330,308
Exercise of options	221,857	59,756	-	-	-	281,613	-	281,613
31 December 2020	**28,664,731**	**87,258,166**	**(67,673,657)**	**1,379,116**	**(38,768,257)**	**10,860,099**	**70,623**	**10,930,722**
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 year	-	-	-	-	1,257,698	1,257,698	(3,546)	1,254,152
Other comprehensive income	-	-	-	39,153	-	39,153	-	39,153
Total comprehensive income for the year	-	-	-	39,153	1,257,698	1,296,851	(3,546)	1,293,305
Contributions by and distributions to owners								

Share-based payment on share options	-	-	-	-	466,254	466,254	-	466,254
Exercise of options	305,531	112,690	-	-	-	418,221	-	418,221
Recycling of non-controlling interest	-	-	-	-	67,077	67,077	(67,077)	-
31 December 2021	**28,970,262**	**87,370,856**	**(67,673,657)**	**1,418,269**	**(36,977,228)**	**13,108,502**	**-**	**13,108,502**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1. ACCOUNTING POLICIES

General information

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

The Company is admitted to trading on the Alternative Investment Market (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, SE1 8QH.

The consolidated financial statements are presented in British Pounds Sterling.

Basis of preparation

The Group financial statements have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and on a basis consistent with those policies set out in our audited financial statements for the year ended 31 December 2021.

The financial information set out in this document does not constitute the Group's statutory accounts for the year ended 31 December 2021 or 31 December 2020.

Statutory accounts for the year ended 31 December 2020 have been filed with the Registrar of Companies and those for the year ended 31 December 2021 will be delivered to the Registrar in due course; both have been reported on by independent auditors. The independent auditor's report for the year ended 31 December 2021 is unmodified.

The independent auditor's reports on the Annual Report and Accounts for the year ended 31 December 2021 and 31 December 2020 were unqualified and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

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. The Directors have reviewed forecast cash flows for the period to December 2024, which include the potential repayment of the convertible loan in December 2022, and consider that the Group will have sufficient cash resources available to meet its liabilities as they fall due for at least the forthcoming 12 months from the date of the approval of the financial statements.

Given the economic uncertainty resulting from the ongoing Covid-19 pandemic, these cash flow forecasts have been subject to short- and medium-term stress testing, scenario modelling and

sensitivity analysis through to June 2023, which the Directors consider sufficiently robust. Scenarios considered include but are not limited to; failure to expand into planned new regulated jurisdictions during the forecast period and a significant reduction in trading cash flows compared to Group forecasts. The Directors note that in an extreme scenario, the Group also has the option to rationalise its cost base including cuts to discretionary capital, marketing and overhead expenditure. The Directors consider that the required level of change to the Group's forecast cash flows to give a rise to a material risk over going concern are sufficiently remote.

Accordingly, these financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Group and the Company will realise its assets and discharge its liabilities in the normal course of business. Management has carried out an assessment of the going concern assumption and has concluded that the Group and the Company will generate sufficient cash and cash equivalents to continue operating for the next 12 months.

Adoption of new and revised standards

There were no new standards, amendments or interpretations that were relevant to the Group for the year ended 31 December 2021.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2022:

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to ISA 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

The Group is currently assessing the impact of these new accounting standards and amendments.

Business combinations

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired, including separately identifiable intangible assets, is recognised as goodwill. Any discount on acquisition, i.e. where the cost of acquisition is below the fair value of the identifiable net assets acquired, is credited to the Statement of Comprehensive Income in the period of acquisition.

2. 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:

	2021	2020

	£	£
Impairment of financial asset	-	(449,422)
Restructuring costs	-	(467,776)
Adjusting items	-	(917,198)

Restructuring costs
Restructuring costs of £467,776 in the prior year related to a management restructure following the change in focus to the licensing business. No such costs were incurred in 2021.

Impairment of financial asset
In the prior year, an impairment provision of £449,422 was recorded in the income statement following management's expected credit loss review performed over its deferred consideration and trade and other receivables balances. The provision was split between deferred consideration (£527,446) and other receivables (credit of £78,024). No such impairments were recognised in 2021.

3. 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 2 reportable operating segments:

- Licensing - brand and content licensing to partners in Europe and the US
- Social Publishing - providing freemium games to the US

2021	Licensing £	Social publishing £	Head Office £	Total £
Revenue	**11,100,085**	**3,567,616**	**-**	**14,667,701**
Marketing expense	**(20,348)**	**(282,579)**	**(76,303)**	**(379,230)**
Operating expense	**(1,209,530)**	**(992,789)**	**-**	**(2,202,319)**
Administrative expense	**(3,325,714)**	**(1,228,709)**	**(1,856,570)**	**(6,410,993)**
Share option and related charges	**(170,062)**	**(7,441)**	**(521,691)**	**(699,194)**
Adjusted EBITDA	**6,374,431**	**1,056,098**	**(2,454,564)**	**4,975,965**
Impairment of financial asset				**-**
Restructuring expenses				-
EBITDA				**4,975,965**
Amortisation of intangible assets				(3,064,299)
Depreciation of property, plant and equipment				(216,834)
Impairment of goodwill				(73,677)
Finance expense				(689,935)
Finance income				26,496
Profit before tax				**957,716**

2020	Licensing £	Social publishing £	Head Office £	Total £
Revenue	7,515,114	3,885,971	2,401	11,403,486
Marketing expense	(18,528)	(242,667)	(94,199)	(355,394)
Operating expense	(1,070,766)	(1,161,266)	-	(2,232,032)
Administrative expense	(2,610,275)	(1,090,014)	(1,803,905)	(5,504,194)
Share option and related charges	(70,764)	(6,906)	(294,674)	(372,344)
Adjusted EBITDA	3,744,781	1,385,118	(2,190,377)	2,939,522
Impairment of financial asset				(449,422)
Restructuring expenses				(467,776)
EBITDA				2,022,324
Amortisation of intangible assets				(2,817,043)
Depreciation of property, plant and equipment				(216,323)
Impairment of property, plant and equipment				(22,876)
Finance expense				(882,032)
Finance income				333,664
Loss before tax				(1,582,286)

4. FINANCE INCOME AND EXPENSE

	2021	2020
	£	£
Finance income		
Interest received	**145**	47
Fair value gain on other investments	**-**	111,780
Interest income on unwind of deferred income	**19,087**	-
Interest income on unwind of finance lease asset	**7,264**	20,500
Interest income on unwind of deferred consideration receivable	**-**	201,337
Total finance income	**26,496**	333,664
Finance expense		
Bank interest paid	**20,238**	18,663
Fair value loss on other investments	**38,855**	-
Fair value movement on derivative liability	**117,000**	355,000
Effective interest on other creditor	**468,339**	437,050
Interest expense on lease liability	**45,503**	71,319
Total finance expense	**689,935**	882,032

5. TAX CREDIT

	2021	2020
	£	£
Current tax		
Current tax credit / (charge)	**38,310**	(93,997)
Adjustment for current tax of prior periods	**4,952**	(34,232)
R&D tax credit for the year	**130,878**	46,127
Total current tax	**174,140**	(82,102)
Deferred tax		
Unwind of deferred tax	**122,296**	130,331
Total deferred tax credit	**122,296**	130,331
Total tax credit	**296,436**	48,229

The reasons for the difference between the actual tax credit for the period and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	2021	2020
	£	£
Profit / (loss) before tax for the year	**957,716**	(1,582,286)
Expected tax at effective rate of corporation tax in the UK of 19.0% (2020: 19.0%)	**181,966**	(300,634)
Expenses not deductible for tax purposes	**274,425**	3,369
Effects of overseas taxation	**(38,310)**	93,997
Adjustment for tax in respect of prior periods	**(4,952)**	34,233
Research and development tax credit	**(130,878)**	(46,127)
Timing difference	**(136,257)**	12,745
Relief for losses brought forward	**(781,569)**	-
Tax losses for which no deferred tax assets have been recognised	**461,435**	284,519
Unwind of deferred taxes recognised on business acquisitions	**(122,296)**	(130,331)
	(296,436)	(48,229)

6. EARNINGS / (LOSS) PER SHARE

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

	2021 £	2020 £
Profit / (loss) after tax attributable to the owners of the parent Company	**1,257,698**	(1,527,964)

	Number	Number
Denominator - basic		
Weighted average number of ordinary shares	**288,496,688**	285,165,652
Denominator - diluted		
Weighted average number of ordinary shares	**288,496,688**	285,165,652
Weighted average number of option shares	**13,140,665**	-
Weighted average number of shares	**301,637,353**	285,165,652

	Pence	Pence
Basic earnings / (loss) per share	**0.44**	(0.54)
Diluted earnings / (loss) per share	**0.42**	(0.54)

7. INTANGIBLE ASSETS

	Goodwill **£**	**Customer database** **£**	**Software** **£**	**Development costs** **£**	**Licenses** **£**	**Domain names** **£**	**Intellectual Property** **£**	**Total** **£**
Cost								
At 1 January 2020	6,849,048	1,520,509	1,420,374	11,798,373	-	9,053	5,962,772	27,560,129
Additions	-	-	-	2,440,559	-	-	-	2,440,559
Disposals	-	-	-	-	-	-	-	-
Exchange differences	(151,829)	(44,859)	(36,151)	(6,040)	-	(268)	(176,593)	(415,740)
At 31 December 2020	6,697,219	1,475,650	1,384,223	14,232,892	-	8,785	5,786,179	29,584,948
Additions	-	-	76,286	3,435,308	247,322	-	-	3,758,916
Disposals	(73,677)	-	(212,215)	(198,043)	-	-	-	(483,935)
Exchange differences	50,382	14,886	14,122	-	-	89	58,568	138,047
At 31 December 2021	**6,673,924**	**1,490,536**	**1,262,416**	**17,470,157**	**247,322**	**8,874**	**5,844,747**	**32,997,976**
Accumulated amortisation and impairment								
At 1 January 2020	1,650,000	1,520,509	1,420,374	7,986,035	-	9,053	3,271,605	15,857,576
Amortisation charge	-	-	-	2,050,390	-	-	766,653	2,817,043
Disposals	-	-	-	-	-	-	-	-
Exchange differences	-	(44,859)	(36,151)	(5,680)	-	(268)	(139,836)	(226,794)
At 31 December 2020	1,650,000	1,475,650	1,384,223	10,030,745	-	8,785	3,898,422	18,447,825
Amortisation charge	-	-	31,978	2,269,464	43,469	-	719,388	3,064,299
Impairment	73,677	-	-	-	-	-	-	73,677
Disposals	(73,677)	-	(212,215)	(200,047)	-	-	-	(485,939)

Exchange differences	-	14,886	14,122	2,227	-	89	51,192	82,516
At 31 December 2021	**1,650,000**	**1,490,536**	**1,218,108**	**12,102,389**	**43,469**	**8,874**	**4,669,002**	**21,182,378**
Net book value								
At 31 December 2020	5,047,219	-	-	4,202,147	-	-	1,887,757	11,137,123
At 31 December 2021	**5,023,924**	**-**	**44,308**	**5,367,768**	**203,853**	**-**	**1,175,745**	**11,815,598**

8. DEFERRED CONSIDERATION

	£
At 1 January 2020	1,298,663
Interest recognised as finance income on 2019 disposal	201,337
Impairment recognised	(527,446)
At 31 December 2020	972,554
Deferred consideration received in the year	(972,554)
At 31 December 2021	**-**

During 2019, the Group disposed of its B2C real money gaming CGU. As part of this transaction the Group was due £1.5m deferred consideration on 31 December 2020, which was discounted at inception. During 2020, interest income of £201,337 was recognised within finance income on the unwind of the balance, while an impairment provision of £527,446 was recorded in the income statement following managements impairment assessment.

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

9. 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 carries interest at 3-month LIBOR plus 5.5%, which has been updated to a fixed 5.75% following the cessation of LIBOR on 31 December 2021. 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 at 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 31 December

2021 was £0.7m (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 cashflows was 14.1%, being the Group's incremental borrowing rate. This 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 cashflows are based on 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 to provide free services.

	Fair value of debt host	**Obligation to provide free services**	**Fair value of derivative Liability**	**Total**
	£	**£**	**£**	**£**
At 1 January 2020	2,925,673	201,000	272,000	3,398,673
Utilisation of free services	-	(52,000)	-	(52,000)
Effective interest	437,050	-	-	437,050
Interest paid	(206,853)	-	-	(206,853)
Change in fair value	-	-	355,000	355,000
At 31 December 2020	3,155,870	149,000	627,000	3,931,870
At 1 January 2021	3,155,870	149,000	627,000	3,931,870
Utilisation of free services	-	(89,000)	-	(89,000)
Effective interest	468,339	-	-	468,339
Interest paid	(194,931)	-	-	(194,931)
Change in fair value	-	-	117,000	117,000
At 31 December 2021	**3,429,278**	**60,000**	**744,000**	**4,233,278**

10. SHARE CAPITAL

Ordinary shares

	2021	**2021**	2020	2020
	Number	**£**	Number	£
Ordinary shares of 10 pence each	**289,702,626**	**28,970,262**	286,647,315	28,664,731

The increase of 3,055,311 ordinary shares relates to the exercise of share options during the year. The total amount received by the Company for the exercise price settlement was £418,221, which has been recorded as an increase in share capital and share premium as follows:

	£
Share capital	**305,531**
Share premium	**112,690**
	418,221

11. POST BALANCE SHEET EVENTS

On 6 January 2022, 3,900,000 share options were granted to certain Directors and employees of the Group. The options vest in tranches on 15 October 2022, 2023 and 2024. All options have an exercise price of 32.5 pence per share.

On 23 February 2022, Bally's Corporation (owner of Gamesys Group) exercised their option to convert £500,000 of the £3,500,000 convertible loan into Gaming Realms plc ordinary shares. This resulted in the issue of 2,170,817 new ordinary shares.

On 4 March 2022, the Group was awarded a full iGaming supplier license by the Alcohol and Gaming Commission of Ontario to allow the Group to provide its Slingo Original's game content to Ontario's licensed online casino operators. Following this, the Group launched its content on 4 April 2022, the first day the newly regulated market opened.