28 June 2019

VELTYCO GROUP PLC
("Veltyco" or "the Group")

Final Results for the year ended 31 December 2018

Veltyco, the AIM quoted company active in marketing and operating in the gaming sector, announces its final results for the year ended 31 December 2018.

Financial highlights

- Revenues from continuing operations increased 18% to €4.7 million (2017: €4.0 million)(1)
- Revenues from discontinued operations of €6.9 million (2017: €12.2 million)(2)
- Total Revenues reported of €11.7 million (2017: €16.2 million)
- Operating result amounts to €17.3 million loss (2017: €7.5 million) impacted by €10.7 million impairment charge

Notes:
(1) Revenue derived from the Group's marketing activities in the sportsbook and casino vertical and from Bet90.
(2) Revenue derived from the Group's marketing activities in the online financial trading and lottery verticals, which the Group ceased during 2018

Operational highlights

- Restructured Group operations, terminating marketing agreements in the online financial trading and lottery verticals
- Renewed agreement with Betsson AB to market its Betsafe brand in Germany until May 2021
- Growth in continuing operations driven by sportsbook and casino vertical
- Board restructuring undertaken to help streamline Group activities and create a renewed focus

Post year end & Current Trading

- Raised €855,000 in equity and €500,000 as a loan from certain Directors for working capital purposes
- Combined sportsbook and casino revenues marginally ahead of the same period last year however, due to a change in the mix, revenues in the first five months of 2019 are below management expectations

Paul Duffen, Chairman, commented: *"This has been a very challenging period for Veltyco, with a number of operational issues to address and a changing dynamic in the markets in which we operate. We have worked hard to restructure our operating costs to match our current operations and believe we now have a more streamlined business.*

"We have taken what we believe is a prudent view to provide for the full amount of monies still owed to the Group which has led to the significant loss in 2018

"Current trading has been impacted by a higher proportion of lower margin revenues activities but we remain confident that we can continue to seek attractive opportunities in our chosen markets."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

The Annual Report and Accounts for the year ended 31 December 2018 will shortly be available on the Company's website.

For further information please contact:

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About Veltyco

Veltyco is a group of companies focused on the operation of its own online Sportsbook and Casino product as well as marketing activities for other online gaming companies.

Website: www.veltyco.com

ANNUAL REPORT & ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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Company Information

Directors	Paul J. Duffen (appointed 30 January 2019)	Executive Chairman (Chairman from 30 January 2019 and Executive Chairman 7 March 2019)
	Marcel Noordeloos	Chief Financial Officer
	Mark Rosman	Non-Executive Director
	Rainer Lauffs (appointed 26 March 2018)	Chief Operating Officer
Registered Office	33-37 Athol Street Douglas Isle of Man IM1 1LB Tel. + 44 (0) 1624 647 979	
Nominated and Financial Adviser	Strand Hanson Limited 26 Mount Row London W1K 3SQ	
Brokers	Whitman Howard Ltd Connaught House, 1st floor London W1K 3NB	
Auditors	Nexia Smith & Williamson 25 Moorgate London EC2R 6AY	
Registered Agent	Estera Trust (Isle of Man) Limited 33-37 Athol Street Douglas Isle of Man IM1 1LB	
Registrars	Neville Registrars Limited Neville House Steelpark Road Halesowen B62 8HD	
Registered number	9029V	
Company Website	www.veltyco.com	

Strategic Report

I hereby present our Annual Report for the financial year ended 31 December 2018.

Financial and operational highlights

Revenues from continuing operations:	€4.7 million (compared to €4.0 million in 2017)[(1)]
Revenues from discontinued operations:	€6.9 million (compared to €12.2 million in 2017)[(2)]
Total Revenues reported:	€11.6 million (compared to €16.2 million in 2017)
Operating result:	€17.3 million loss (€7.5 million profit in 2017)

Notes:

(3) Revenue derived from the Group's marketing activities in the sportsbook and casino vertical and from Bet90.

(4) Revenue derived from the Group's marketing activities in the online financial trading and lottery verticals, which the Group ceased during 2018.

Operational review

As previously disclosed, the Group faced significant operational challenges during 2018, around the collection of receivables in respect of the Group's online financial trading and lottery marketing activities. Despite reaching agreements on the payment of these receivables, such payments ceased during October 2018. As a consequence of the diminished cash receipts, the Group reduced these marketing activities, with the Board deciding to terminate all marketing activities in the financial trading and lottery verticals in November 2018.

The Group continues to seek to recover the outstanding debts and is progressing various proceedings in this regard, which, as of the date of this report, have not produced any additional receipts. Consequently, whilst all efforts to recover outstanding monies will continue, the Board considers it prudent to provide for the full amount of the outstanding balance in respect of its marketing activities in the online financial trading and lottery verticals, resulting in an impairment charge of €10.7 million.

Due to the termination of marketing activities in the online financial trading and lottery verticals, the Company has impaired all intangible assets relating to this activity. This mainly concerned the book value of the intangible assets relating to the Zoomtraderglobal brand (which was acquired in 2016 for consideration comprising issuance of new ordinary shares) as well as the online financial trading customer database acquired in May 2018. The latter, because we currently do not propose to launch our own financial trading brand, which means it is not certain whether we will be able to use the acquired database to its full potential, as the last update of the database was made in September 2018. The Directors continue to consider other options to utilise the database.

Termination of the marketing activities relating to online financial trading brands, as well as termination of lottery related marketing, led to a significant decrease in revenues during the second half of 2018. Revenues for the second half of 2018, which related predominately to revenues from the Group's marketing activities in the sportsbook and casino vertical and from Bet90, amounted to, in aggregate, €2.7 million compared to €8.9 million in the first half of 2018, which included revenues from the terminated marketing activities for the online financial trading and lottery verticals. As a consequence the full year revenues decreased to €11.6 million in 2018 from €16.2 million in 2017. The Group's revenues from its ongoing marketing activities in the sportsbook and casino vertical and from Bet90 increased in 2018 to €4.7 million (2017: €4.0 million).

During 2018, the Company entered into a renewed agreement with Betsson AB group to market Betsson's Betsafe brand in Germany until May 2021, an agreement which was broadly on similar terms as the previous agreement.

Overall, the majority of the 2018 revenues were derived from the Group's online marketing activities, though this moved, during the last quarter of 2018, more towards revenues from the Group's own brand, Bet90, and marketing activities in the sportsbook and casino vertical, which continues to be the focus for the Group's future growth, following the termination of activities in the online financial trading and lottery verticals.

As a result of the above, the Group's cashflow has been significantly impacted by the inability to collect outstanding receivables, requiring the Company to raise additional funds subsequent to the year end, as announced on 22 November 2018, 30 January 2019, 1 April 2019 and 30 May 2019.

On 30 January 2019, the Company announced it had raised £500,000 (or €555,500) by issuing 3,333,333 new ordinary shares. On 1 April 2019, the Company announced that it had entered into separate loan agreements with three of its Directors, raising a total of €500,000 for working capital and on 30 May 2019, the Company announced that it had raised €300,000 by issuing 4,000,000 new ordinary shares.

Financial review

2018 was a year of significant challenges for Veltyco. As previously communicated, the Group faced significant difficulties in collecting its trade receivables from its market activities in the online financial trading and lottery verticals. This led to the decision towards the end of 2018 to completely cease these marketing activities and fully focus on the existing marketing agreement with Betsafe, as well as its owned operations of the Bet90 sportsbook and casino brand.

Due to this significant reduction of marketing spend during the second half of 2018, and ultimately completely ceasing all operations, revenues for the full year decreased to €11.6 million (2017: €16.2 million). This is mainly due to the lower revenues recorded during the second half of 2018. Revenues in the second half of 2018 amounted to €2.7 million, whereas the revenues for the first six months amounted to €8.9 million. In the first half year, an amount of €6.8 million related to revenues recorded for its marketing activities in the online financial trading and lottery verticals. Excluding revenues from these marketing activities, the Group's revenues from its ongoing marketing activities in the sportsbook and casino vertical and from Bet90 increased 18% in 2018 to €4.7 million (2017: €4.0 million).

The net result for the year amounted to a loss of €16.7 million (2017: €6.8 million profit). The results for 2018 were significantly impacted by the impairment of receivables from the online financial trading and lottery business of, in aggregate, €10.7 million, combined with the impairment of the relating intangible assets of €6.1 million. Furthermore, the Group recorded impairment charges of €0.4 million on its investments in T4U Marketing Ltd (in which the Group holds 51% and operates an affiliate forum website in Germany), as the results for 2017 and 2018 were lower than expected at time of acquisition. The results were also impacted by the start-up costs of the Bet90 operations, which started in the second half of 2017 and had its first year of full operations in 2018. In order to gain market share and create brand recognition, the Group spent almost €3 million in marketing of the Bet90 brand. Furthermore, revenues generated in the sportsbook and casino vertical, which is the revenue recorded in the second half of 2018, are of lower margins than revenues generated in the online financial trading vertical.

The operating EBITDA for the year ended 31 December 2018 was €0.5 million (2017: €8.1 million).

Details of the operating EBITDA are as follows:

	2018	2017
	€	€
Operating (loss)/profit	(17,297,953)	7,482,129
Depreciation and amortisation expense	404,514	380,173
Impairment of intangibles	6,482,758	-
Impairment of uncollectable receivables	10,712,715	-
Share based payment (included in salary expense)	176,744	239,084
Operating EBITDA	**478,778**	**8,103,386**

Cash Flow

The Group used to be active in three major verticals (sportsbook and casinos, online lotteries and online financial trading) and had revenues and cost centres in numerous locations in Europe. The Group experienced operational difficulties in receiving agreed marketing commissions within the online financial trading and lottery verticals as previously announced, which ultimately led to an impairment of these receivables of €10.7 million. There was only limited cash flow from the Group's remaining activities and as a result of the collectability issues, the Group had a negative cash flow from operations of €0.1 million for the year ended 31 December 2018.

Post the period end, the Group raised £500,000 (€555,000) through a subscription with certain existing shareholders in January 2019, entered into a loan agreement with some of the Directors in April 2019 for a further €500,000 (£440,000)and raised €300,000 (£264,000) through a subscription with an existing shareholder in May 2019, to provide further working capital to the Group.

Board changes

During and post the year end, the Company made a number of changes to its Board and senior management to reflect the changes in the Group's operations during the year.

In March 2018, the Group announced the appointment of Melissa Blau as the Group's new CEO. At the same time, Uwe Lenhoff and Hans Dahlgren resigned as Executive Directors and Ilan Tzorya resigned as a Non-executive Director. On 12 October 2018, the Group announced that Melissa Blau had resigned from the Board.

Subsequent to the year end, on 30 January 2019 the Company announced the appointment of Paul Duffen as the new Chairman of the Group, replacing Gilles Ohana, who stepped down from the Board at the same time. Paul was subsequently appointed as the Group's Executive Chairman on 7 March 2019.

The Company continues to seek a new CEO and a further independent Non-executive Director in line with the developments of the Company and a further announcement will be made as appropriate.

Principle risks and uncertainties

The Main operational Risk factors are included on page 12 of this report.

Current trading and outlook

The Group's revenue in the current year to 31 May 2019 for the combined sportsbook and casino operations, is marginally ahead of the same period in 2018. However, as the result of a change in the revenue mix, with a larger share of the revenues being generated from lower margin activities and a number of large customer wins across its operations (which are a risk given the nature of the Group's activities), revenue for the first five months of 2019 is below management expectations.

Although the Directors have sought to restructure the operating costs to match the current operations, as a result of the above, the Directors believe that the results for the six months ending 30 June 2019 will show a loss.

In light of the above, the Directors continue to manage the Group's cash resources carefully, and whilst they believe that the Group will be able to continue to manage its creditors, should trading not be in line with expectations going forward and/or the Group is not able to manage its creditors, the Group's ability to meet such liabilities may be impacted. Accordingly, the Directors continue to explore appropriate additional sources of capital.

Dividend
Whereas the Directors paid a maiden dividend for the year ended 31 December 2017, amounting to 0.25p per share in July 2018, the Directors are not proposing a dividend for the year ended 31 December 2018.

Approved by the Board of Directors and signed on behalf of the Board.

Paul J Duffen
Executive Chairman, Veltyco Group plc
28 June 2019

Directors' Report

The Directors present their report and consolidated financial statements for the year ended 31 December 2018.

Principal activities and review of the business

Veltyco is a company focused on generating marketing leads and entering into marketing contracts for the activities of its sportsbook partner in sports betting and casinos games as well as operating its own Bet90 sportsbook and casino games, in which it has a 51% interest. During the fourth quarter of 2018, the Group ceased its marketing activities relating to lottery and online financial trading verticals.

Results and dividends

The Group's result for the year, after taxation, amounted to a loss of €16.7 million (2017: profit of €6.8 million). The Group's 2018 result is highly impacted by the impairment of receivables and intangible assets relating to the Group's marketing activities and operations across its three verticals. The operating EBITDA (after adjustments for impairments, amortisation and depreciation) for the full year 2018 amounted to €0.5 million (2017: €8.1 million).

As a result of the above, the Directors are proposing not to pay a dividend for the year ended 31 December 2018.

Future developments

Future developments are discussed in the Strategic Report.

Financial Risk Management

The Board is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Board establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits.

Capital risk management

The Company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders.

Liquidity risk

Liquidity risk exists where the Group might encounter difficulties in meeting its financial obligations as they become due. The Group monitors its liquidity in order to ensure that sufficient liquid resources are available to allow it to meet its obligations.

Large wins by customers

Inherent to the business is that there is a risk that a few players and customers might win significant amounts of money during the same period thus reducing the earnings of the Group, in particular in regard to its sportsbook partner which has a higher concentration of VIP players. In respect of its marketing activities for its sportsbook partner, negative or highly impacted net revenues in any period are also carried forward and netted off against net revenues in future periods on which commission might otherwise be payable to the Group. Whilst the Group would not have to cover any gaming or gambling losses in the existing marketing agreements, the percentage of earnings retained by the Group might be greatly reduced as a result of this. Any gaming or gambling losses within the Group's own Bet90 operations would though need to be covered by the Group as and when they occur.

Currency risk
The Group is exposed to translation and transaction foreign exchange risk. As the majority of the Group's transactions are denominated in Euros, the Directors deem the Group's exposure to exchange rate fluctuations to be minimal.

Interest rate risk
The Group's exposure to upside interest rate risk is limited. The loans on the balance sheet have a fixed interest rate. The Directors do not consider the impact of possible interest rate changes based on current market conditions to be material to the net result for the year or the equity position at the year-end for either the year ended 31 December 2018 or 31 December 2017.

Credit risk
The Group's credit risk is primarily attributable to trade receivables. Trade receivables consist of:

- Customers running the land based operations of Bet90, via Bet90 branded terminals; and
- Payment service providers (PSPs). PSPs are third-party companies that facilitate deposits and withdrawals of funds to and from customers' virtual wallets with the Group. These are mainly intermediaries that transact on behalf of credit card companies.

The risk is that a customer or a PSP would fail to discharge its obligation with regard to the balance owed to the Group.

The Group reduces this credit risk by:

- Monitoring balances with customers on a regular basis;
- Monitoring balances with PSPs on a regular basis; and
- Arranging for the shortest possible cash settlement intervals in all cases.

The Group considers that based on the factors above and on past experience, the customers and PSP receivables used in the current businesses are of good credit quality and there is a low level of potential bad debt as at year-end.

A large credit risk that the Group historically faced related to its marketing activities for partners in the online financial trading and the lottery verticals. As a result of the Company not being able to collect such receivables, the Board has decided to provide for these in full, amounting to, in aggregate, €10.7 million.

An additional credit risk the Group faces relates to customers in its own operations disputing charges made to their credit cards ("chargebacks") or any other funding method they have used in respect of the services provided by the Group. Customers may fail to fulfil their obligation to pay, which will result in funds not being collected. These chargebacks and uncollected deposits, when occurring, will be deducted at source by the payment service providers from any amount due to the Group. The Group monitors the need for impairment provisions by considering all reasonable and supportable information, including that which is forward-looking. For the year ended 31 December 2018, the Group has not made any provision for this, as any provision would be immaterial.

Going concern
The Group experienced significant operational difficulties during 2018 in respect to receiving agreed marketing commissions from operators within the online financial trading and lottery verticals and as a result, the Group terminated these activities in H2 2018 and they have been fully impaired in 2018. As a result, the Company has commenced procedures to seek to recover these receivables through a legal process, though this has not resulted in further receipts of cash to date.

Following the termination of the Group's marketing activities for the online financial trading and the lottery verticals, the Group is currently focusing its activities on operating in the sports book and casinos vertical and has revenues and cost centres in a number of locations throughout Europe.

As a result of the above, the Group achieved a net loss of €16.7 million for the year ended 31 December 2018. Furthermore, the Group had a negative cash flow from operations of €0.1 million for the year ended 31 December 2018 and the Directors expect the Group to be loss making for the six months ending 30 June 2019.

The Group has therefore sought to reduce its operating costs to match the current operations and the Directors continue to manage the Group's cash resources carefully. However, whilst they believe that the Group will be able to continue to manage its creditors, which are meaningfully in excess of the Group's current cash resources, should trading not be in line with expectations going forward and/or the Group is not able to manage its creditors, the Group's ability to meet such liabilities may be impacted, in which case the Group will need to raise further funding. In any event the Directors consider that further funding is likely to be required and continue to explore further appropriate sources of capital. Whilst they are confident of being able to raise such funding if required, there is no certainty that such funding will be available and/or the terms of such funding. However, these conditions are necessarily considered to represent a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

Whilst acknowledging this material uncertainty, the Directors remain confident of being able raise additional funding as required and therefore the Directors consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include the adjustments that would result if the Group and Company was unable to continue as a going concern.

Post balance sheet events

On 30 January 2019, the Company announced that it had raised €555,500 (£500,000) through the subscription of 3,333,333 new Ordinary Shares with certain existing investors, at a price of £0.15 per share. On the same day, the Board resolved to issue 200,000 new Ordinary Shares to an adviser in lieu of certain fees.

On 15 February 2019, the Company announced that, on 14 February 2019, it granted options over, in aggregate, 2,420,000 Ordinary Shares to the Directors and certain employees of the Company, pursuant to the Company's Long-Term Incentive Plan – May 2016 (as amended).

These options have an exercise price of £0.15 per share. Pursuant to the terms of the 2016 Plan, the options will vest in equal instalments over the four years following the first anniversary of the date of grant and any of the options that remain unexercised on the fifth anniversary of the date of grant will lapse. In light of these new options being granted, Mark Rosman and Marcel Noordeloos agreed with the Company to cancel 300,000 options granted to each of them on 5 July 2017. In addition, 109,846 existing warrants that were granted by the Company on 5 October 2017, have had the terms amended, such that they will now be exercisable at a price of £0.15 per share.

On 1 April 2019, the Company announced that it had entered into separate loan agreements with three of its Directors, being Paul Duffen, Marcel Noordeloos and Mark Rosman, pursuant to which each Director provided a loan of €166,667 (£146,667) to the Company, totalling €500,000 (£440,000) (the "Loans"). The Loans, which are unsecured, are for a term of three years and will accrue interest at 5% per annum over the term of the Loans. The Loans can be repaid on or before 31 March 2022 at the Company's election.
On 30 May 2019, the Company announced that it had raised a further €300,000 (£264,000) through the subscription of 4,000,000 new Ordinary Shares with a certain existing investor, at a price of £0.066 per share.

Directors and their interest

The following Directors held share options as at 31 December 2018:

	Number of options	Exercise Price (£)	Date of grant	Vesting period
Marcel Noordeloos	750,000	0.25	30 June 2016	1-4 years
Marcel Noordeloos	300,000	0.65*	5 July 2017	1-4 years
Mark Rosman	400,000	0.25	30 June 2016	1-4 years
Mark Rosman	300,000	0.65*	5 July 2017	1-4 years
Gilles Ohana	800,000	0.25	22 May 2017	1-4 years

* The options granted on 5 July 2017 have been cancelled as announced on 30 January 2019.

Directors who served during the year

	Appointed	Resigned
Gilles Ohana	20 November 2017	30 January 2019
Mark Rosman	19 March 2014	-
Uwe Lenhoff	30 June 2016	26 March 2018
Marcel Noordeloos	30 June 2016	-
Hans Dahlgren	30 June 2016	26 March 2018
Ilan Tzorya	16 January 2017	26 March 2018
Melissa Blau	26 March 2018	12 October 2018

On 30 January 2019, Paul Duffen was appointed as Chairman, replacing Gilles Ohana and was appointed Executive Chairman on 7 March 2019.

Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to keep reliable accounting records which allow financial statements to be prepared. In addition, the Directors have elected to prepare group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and applicable law. The financial statements are required to give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and prepare financial statements. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for ensuring that they meet their responsibilities under the AIM Rules.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors
The auditors of the Group are Nexia Smith & Williamson, Chartered Accountants.

This report was authorised for issue by the Board on 28 June 2019.

Paul J Duffen
Executive Chairman, Veltyco Group plc
28 June 2019

Risk factors

The Board evaluates the operational risks facing the Group on an ongoing basis to monitor for changes in risks and risk impact and to set guidelines for risk mitigation. The most significant risks identified by the Board are listed below.

Gambling laws and regulations are constantly evolving and increasing
The regulatory framework of online gaming is dynamic and complex. Change in the regulatory regime in a specific jurisdiction can have a material adverse effect on business volume and financial performance in that jurisdiction. In addition, a number of jurisdictions have regulated online gaming, and in several of those jurisdictions the Group, or its operating partner, either holds a licence or is planning to obtain one, if the market is considered interesting. However, in some cases, lack of clarity in the regulations, or conflicting legislative and regulatory developments, mean that the Group may risk failing to obtain an appropriate licence, having existing licences adversely affected, or being subject to other regulatory sanctions, including internet service providers blocking, blocking options to make deposits, black-listing and fines.

The Group is managing this risk by consulting with legal advisers in various jurisdictions where its services are marketed or which generate significant revenue for the Group. Furthermore, the Group obtains regular updates regarding changes in the law that may be applicable to its operations, working with local counsel to assess the impact of any changes on its operations. Furthermore, the Group's owned operations Bet90, blocks players from certain "blocked jurisdictions" using multiple technological methods as appropriate.

Reliance on VIP players
A large percentage of the commission based revenue from the Group's marketing activities in the sportsbook and casino vertical is generated by a small group of high net worth players, described as "VIP Players". These are loyal players that regularly deposit high amounts on the websites. The Group knows these players and makes them feel valued. A VIP player (or also a non-VIP player) can have large winnings, in either the sportsbook or the casino, in a certain period, which can significantly impact the revenues on a monthly basis. A loss of any of the VIP Players could significantly adversely affect the Group's business, financial condition, results or future operations.

In respect of its own sportsbook and casino brand, Bet90, any large wins by VIP players could potentially lead to recording a loss in such cases.

Corporate Governance Report

As an AIM-quoted company, Veltyco and its subsidiaries (together, the "Group") is required to apply a recognised corporate governance code, demonstrating how the Group complies with such corporate governance code and where it departs from it.

The Board of Directors of the Company ("Directors" or "Board") have adopted the QCA Corporate Governance Code (the "QCA Code"). The Board recognises the principles of the QCA Code, which focus on the creation of medium to long-term value for shareholders, without stifling the entrepreneurial spirit in which small to medium sized companies, such as Veltyco, have been created.

Application of the QCA Code

In the spirit of the QCA Code it is the Board's job to ensure that the Group is managed for the long-term benefit of all shareholders and other stakeholders with effective and efficient decision-making. Corporate governance is an important part of that job, reducing risk and adding value to the Group. The Board will continue to monitor the governance framework of the Group as it grows.

Veltyco is an online marketing and operating company that seeks to grow shareholder value through organic growth and acquisitions. Veltyco's aim is to build a portfolio of gaming brands through a combination of strong organic growth as well as strategic acquisitions that complement the current business.

The Board aims to achieve these objectives through the adoption of best working practices and by leveraging its industry knowledge and expertise. We believe that the senior management team as well as the Board, together with their industry leading partners and networks, have the necessary capabilities to achieve organic and external growth in the future, as demonstrated, for example, by the acquisition in 2017 of the 51% interest in online sportsbook and casino gaming company, Bet90.

In accordance with the AIM Rules, Veltyco applies (and in some cases departs from) the QCA Code in the following way:

Principle 1 – Establish a strategy and business model which promote long-term value for shareholders

Veltyco is an online company and its strategy is to create value for its customers and own brand by using state of the art technology and practices to ensure full customer satisfaction both on a B to B as well as on B to C level.

Principle 2 – Seek to understand and meet shareholder needs and expectations.

Veltyco has engaged in active dialogue with shareholders through regular communication including investor events, participation in conferences, and the Company's Annual General Meeting that were held throughout the year and one-on-one discussions. Our Corporate Brokers, Whitman Howard, have also taken an important role in discussions with equity investors throughout the year, as well as offering investor roadshows with the Group's management. New information is released via the regulatory news service (RNS) before anywhere else and the website is update accordingly.

Principle 3 – Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises the importance of its wider stakeholders – employees, contractors, suppliers, customers, regulators and advisors – to its long-term success. The Board has established expectations that these key resources and relationships are valued and monitored. In particular, the Company's business model of outsourcing some its key activities requires reliable dialogue with contractors to ensure the successful pursuit of its long-term strategic objectives. Furthermore, the Board intends to actively seek to engage regularly with our corporate advisers to ensure proactive communication regarding the Company's activities. In doing so, the Company is able to take any feedback into account and adjust its actions accordingly to ensure it stays focused on long-term performance. The Board recognises that the Company operates within a competitive and fast changing industry and strives to remain alert to developments in a wider industry/society context.

Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation

Veltyco operates within a complex business environment and an industry that is fundamentally driven by regulatory processes. The Board has set out its understanding of the principal risks and uncertainties in its Annual Report and regularly reviews its strategies for minimising any adverse impact to the Company or its investors.

The Directors acknowledge their responsibility for the Group's system of internal control, which is designed to ensure adherence to the Group's policies whilst safeguarding the assets of the Group, in addition to ensuring the completeness and accuracy of the accounting records. Responsibility for implementing a system of internal financial control is delegated to the CFO.

The essential elements of the Group's internal financial control procedures involve:

- *Strategic business planning*
  The Board regularly reviews and discusses the Group's performance and strategic objectives.
- *Performance review*
  The Directors monitor the Group's performance through the preparation and consideration of monthly management accounts and daily through KPIs and regular reviews of its expenditure and projections. In addition, detailed financial projections for each financial year are prepared and are subject to formal and regular review against actual trading by the Board.

Principle 5 – Maintain the Board as a well-functioning, balanced team led by the Chairman

The Board comprises four Directors of which three are Executives and one is a Non-executive, reflecting a blend of different experience and backgrounds. The Board considers Mark Rosman to be an independent Non-executive Director in terms of the QCA guidelines. Accordingly, the composition of the Board does currently not satisfy the QCA recommendation that there are at least two independent Non-executive Directors on the Board.

The Board meets throughout the year and all major decisions are taken by the Board as a whole. The Group's day-to-day operations are managed by the Executive Directors. All Directors have access to the Company information and any Director needing independent professional advice in the furtherance of his/her duties may obtain this advice at the expense of the Group.

Although the Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Group on the other, to enable it to discharge its duties and responsibilities effectively, and that all Directors have adequate time to fill their roles, the Group intends to appoint an additional independent Non-Executive Director in due course. In addition, the Board has commenced discussions with potential CEO candidates to join the Board. This process has the highest priority for the Board and we will make further announcements in due course as and when appropriate.

The role of the Chairman is to provide leadership of the Board and ensure its effectiveness on all aspects of its remit to maintain control of the Group. In addition, the Chairman is responsible for the implementation and practice of sound corporate governance.

Non-executive directors are expected to devote as much time as is necessary for the proper performance of their duties. Executive directors are full-time employees or services providers and expected to devote as much time as is necessary for the proper performance of their duties.

During 2018 the Board held eight (8) meetings either in person or by call, all of which were attended by all Directors. The Board also passed sixteen (16) unanimous written resolutions.

Principle 6 – Ensure that between them the directors have the necessary up to-date experience, skills and capabilities

The Board considers its current composition to be appropriate and suitable with the adequate and up-to-date experience, skills and capabilities to make informed decisions. Each member of the Board brings a different set of skills, expertise and experience, making the Board a diverse unit equipped with the necessary set of skills required to create maximum value for the Company.

The Board is fully committed to ensuring its members have the right skills. Members of the Board must be re-elected by the shareholders of the Company if they have not been re-elected at the previous two annual general meetings in accordance with the Company's Articles of Association, thereby providing shareholders the ability to decide on the election of the Company's Board.

The biographical details of the Directors are:

Paul J Duffen, Executive Chairman, aged 60, brings 35 years in management experience in various industries and being an entrepreneur. Paul was co-founder and Chief Executive Officer (until 2006) of Catalyst Media Group plc, which specialised in the sports, media and entertainment sectors, including motor racing in the USA and Horse Racing in the UK. He subsequently served as Executive Chairman of Hull City Football Club, securing their first promotion to the Premier League in 2008 and Chairman of Newsdesk Media Ltd, an international publishing Group. He currently serves as a non-executive Director of Animus Associates Ltd, a business intelligence consultancy, and has recently joined the Board of eSports.com Group Ltd.

Marcel Noordeloos, Chief Financial Officer, aged 50, was Group Finance Director at Playlogic International NV between 2006 and 2009 and Chief Financial Officer at Playlogic Entertainment Inc from March 2009 until September 2010 prior to becoming Chief Financial Officer at Velox3 plc (renamed to Veltyco Group plc at time of re-admission on 30 June 2016). Marcel has held several management positions with among others Nike EMEA (2002-2006) and PwC (1992-2001). Marcel holds an RA Degree (Registered Accountant) from the University of Amsterdam.

Rainer Lauffs, Chief Operating Officer, aged 46, is a business graduate from Philipps University of Marburg (Germany) and has been working in the online gaming world since 2006. Among other projects, he was significantly involved in building up PartyGaming's business in German and Dutch territories.

Mark Rosman, Non-Executive Director, aged 52, has 15 years of experience advising on private equity investments and managing private equity portfolios. Mark worked for Galladio Capital Management B.V. for eleven years and held the role of chief operating officer from 2006 until his departure in 2010. Since leaving Galladio, Mark has served as chief executive officer of The Nestegg B.V., a private equity management and advisory firm that advises high net worth individuals on the structuring and management of investments. Mark is a law graduate from VU University Amsterdam and has an MBA from Rotterdam School of Management.

The Board also consults with external advisers, such as it Nominated Adviser and the Company's lawyers, and with executives of the Company on various matters as deemed necessary and appropriate by the Board.

Principle 7 – Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Veltyco's Board is small and extremely focussed on implementing the Group's strategy. However, given the size and nature of the Group, the Board does not consider it appropriate to have a formal performance evaluation procedure in place, as described and recommended in Principle 7 of the QCA Code. The Board will closely monitor the situation as it grows.

Principle 8 – Promote a corporate culture that is based on ethical values and behaviours

We are committed to acting ethically and with integrity. We expect all employees, officers, directors and other persons associated with us to conduct their day-to-day business activities in a fair, honest and ethical manner.

For that purpose, we have adopted a Code of Business Conduct and Ethics ("Code") which applies to all our workforce personnel. Pursuant to the Code, employees, directors and other relevant stakeholders are required to comply with all laws, rules and regulations applicable to us. These include, without limitation, laws covering anti-bribery, copyrights, trademarks and trade secrets, data privacy, insider trading, illegal political contributions, antitrust prohibitions, rules regarding the offering or receiving of gratuities, environmental hazards, employment discrimination or harassment, occupational health and safety, false or misleading financial information or misuse of corporate assets. The Code also includes provisions for disclosing, identifying and resolving conflicts of interest of the employees and Board members.

The Code includes provisions requiring all employees to report any known or suspected violation and ensures that all reports of violations of the Code will be handled sensitively and with discretion. We also recognise the benefits of a diverse workforce and are committed to providing a working environment that is free from discrimination.

We have also adopted a share dealing code, regulating trading and confidentiality of inside information by persons discharging managerial responsibility and persons closely associated with them ("PDMRs").

We take all reasonable steps to ensure compliance by PDMRs and any relevant employees with the terms of the Dealing Code.

Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Corporate Governance Committees
The Board has established two committees, of which the composition is as follows:

Audit committee
Mark Rosman (Chairman)
Paul J Duffen

Remuneration committee
Mark Rosman (Chairman)
Paul J Duffen

The Audit Committee
The Audit Committee meets twice during the year to review the published financial information, the effectiveness of external audit and internal financial controls including the specific matters set out below.

The terms of reference of the Audit Committee are to assist all the Directors in discharging their individual and collective legal responsibilities and during the meetings to ensure that:

- The Group's financial and accounting systems provide accurate and up-to-date information on its current financial position, including all significant issues and going concern;
- The integrity of the Group's financial statements and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgments contained therein are monitored;
- The Group's published financial statements represent a true and fair reflection of this position; and taken as a whole are balanced and understandable, providing the information necessary for shareholders to assess the Group's performance, business model and strategy;
- The external audit is conducted in an independent, objective, thorough, efficient and effective manner, through discussions with management and the external auditor; and
- A recommendation is made to the Board for it to put to shareholders at a general meeting, in relation to the reappointment, appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor.

The Audit Committee does not consider there is a need for an internal audit function given the size and nature of the Group.

Significant issues considered by the Audit Committee during the year have been the Principal Risks and Uncertainties (which are set out in the this annual report) and their effect on the financial statements. The Audit Committee tracked the Principal Risks and Uncertainties through the year and kept in contact with the Group's Management, External Service Providers and Advisers and received regular updates. The Audit Committee is satisfied that there has been appropriate focus and challenge on the high-risk areas.

Nexia Smith & Williamson, our external auditors, have been in office since 2013.

The external auditors are invited to attend the Audit Committee meeting to present their findings and this provides them with a direct line of communication to the Non-executive Directors.

<u>The Remuneration Committee</u>
The terms of reference of the Remuneration Committee are to:

- recommend to the Board a framework for rewarding senior management, including Executive Directors, bearing in mind the need to attract and retain individuals of the highest calibre and with the appropriate experience to make a significant contribution to the Group; and
- ensure that the elements of the remuneration package are competitive and help in underpinning the performance-driven culture of the Group.

Principle 10 – Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board is committed to maintaining good communication with its shareholders and in promoting effective dialogue regarding the Group's strategic objectives and performance. Institutional shareholders and analysts have the opportunity to discuss issues and provide feedback via meetings with the Company. The Annual General Meeting and any other General Meetings that are held throughout the year are for shareholders to attend and question the Directors on the Company's performance. Regular progress reports are also made via RNS announcements and the point of contacts are Paul J. Duffen, Executive Chairman and Marcel Noordeloos, CFO.

Our Audit Committee Report is included on pages 19-20 of this Annual Report. Our Remuneration Committee Report is included on page 21 of this Annual Report.

Audit Committee Report

General and Composition of the Audit Committee

The Audit Committee is a sub-committee of the Board. The Audit Committee chairman reports formally to the Board on all matters within the Committee's duties and responsibilities and on how the Audit Committee discharges its responsibilities. The Audit Committee members are Mark Rosman (Chairman) and Paul Duffen.

The Audit Committee consists of two members, Mark Rosman (Chairman) and Paul Duffen. Mark Rosman is considered to be independent.

The biographies of the Audit Committee members are on pages 15-16 under principle six, as well as on the Company's website at www.veltycogroupplc.com/corporate-info .

The Audit Committee meets at twice a year at appropriate times in the reporting and audit cycle and otherwise as required. The Audit Committee also meets regularly with the Company's external auditors.

Purpose and Responsibilities of Audit Committee

The purpose of the Audit Committee is to assist the Board to carry out the following functions more efficiently and fully:

- Oversight of the integrity of the Group's formal reports, statements and announcements relating to the Group's financial performance; and
- Reviewing compliance with internal guidelines, policies and procedures and other prescribed internal standards of behaviour.

To achieve such purposes, the Audit Committee has been assigned with the following responsibilities:

- Reviewing the half-year and full-year financial statements with management and with the external auditors as necessary prior to their approval by the Board;
- Reviewing financial results announcements of the Group and any other formal announcements relating to the Group's financial performance and recommending them to the Board for approval;
- Reviewing recommendations from the CFO and the external auditors on the key financial and accounting principles to be adopted by the Group in the preparation of the financial statements;
- Reviewing the Group's systems for internal financial control;
- Considering and making recommendations to the Board, to put to shareholders for approval at the AGM, the appointment, re-appointment and removal of the Company's external auditors and oversee the relationship with the external auditors;
- Reviewing and approving the external audit plan and regularly monitoring the progress of implementation of the plan;
- Determining and monitoring the effectiveness and independence of the external auditors.

Main Activities in 2018

On 6 June 2018 the Audit Committee reviewed the financial statements for FY2017.

On 27 September 2018 the Audit Committee reviewed the financial results of the Company for H1 2018.

External Auditors

The external auditors of the Company are Nexia Smith & Williamson ("NS&W"). The appointment of NS&W as auditors by the Audit Committee was based on their performance during past years. The Audit Committee review of the external auditors confirmed the appropriateness of their reappointment and included assessment of their independence, qualification, expertise and resources, and effectiveness of their audit process.

Both the Board and the external auditors have safeguards in place to avoid the possibility that the auditors' objectivity and independence could be compromised. The services provided by the external auditors include the Audit-related services. In recognition of public concern over the effect of consulting services on auditors' independence, the external auditors are not invited to general consulting work which can affect their independence as external auditors.

The total remuneration of the external auditors for 2018 and for 2017 was as listed in the table below:

	2018	**2017**
Auditor's remuneration		
Audit services	€65,000	€130,000
Acquisition and assurance services	-	-
Taxation compliance	-	-

The Audit Committee and the auditors found that the external audit plan for 2018, the work of the external auditors for 2018 and the remuneration of the external auditors for 2018 did not undermine the independence of the external auditors.

Financial Reporting

The Group's trading performance is monitored on an ongoing basis. An annual budget is prepared, and specific objectives and targets are set. The budget is reviewed and approved by the Board. The key trading aspects of the business are monitored daily and internal management and financial accounts are prepared monthly. The results are compared to budget and prior year performance.

The Audit Committee has taken and will continue to take further steps to ensure the Group's control environment is working effectively and efficiently.

Mark Rosman

Chairman of the Audit Committee

Remuneration Committee Report

GENERAL

The Remuneration Committee is responsible for determining and recommending to the Board the framework for the remuneration of the Board chairman, executive directors and other designated senior executives and, within the terms of the agreed framework, determining the total individual remuneration packages of such persons including, where appropriate, bonuses, incentive payments and share options or other share awards.

The Remuneration Committee consists of two members, Mark Rosman (Chairman) and Paul Duffen. Mark Rosman is considered independent. The Remuneration Committee meets at least once a year and otherwise as required.

Key elements in Remuneration

As an AIM-quoted company, the Company is not required to comply with the remuneration reporting requirements applicable to fully listed companies in the UK. However, set out below are certain disclosures relating to directors' remuneration:

- The remuneration of executive directors and certain other senior executives is set by comparison to market rates at levels aimed to attract, retain and motivate the best staff, recognising that they are key to the ongoing success of the business.
- The remuneration of non-executive directors is a matter for the Chairman and the executive directors to determine.
- No Director is involved in any decision as to his or her own remuneration.
- The remuneration of senior management includes equity-based payments (stock options) vested over time to retain their employment.

Responsibilities of the Remuneration Committee

The responsibilities of the Remuneration Committee include the below and other responsibilities as set forth in the Charter of the Committee:

- Setting the remuneration policy for all executive directors. Paul Duffen is not involved in setting his own remuneration, this is determined by Mark Rosman only;
- Recommending and monitoring the level and structure of remuneration for senior management personnel;
- Reviewing the design of all share incentive plans for approval by the Board and shareholders.

Share option scheme

On 17 May 2016, the Company adopted a "long term incentive senior management and Directors' stock option plan" ("the Plan"). Options granted under the Plan will entitle the participant to acquire Ordinary Shares at a price determined in accordance with the rules of the Plan.

The Directors' interests in the Company's share options for the year ended 31 December 2018 are shown on page 10.

The Committee remains committed to a fair and responsible approach to executive pay whilst ensuring it remains in line with best practice and appropriately incentivises executive directors over the longer term to deliver the Group's strategy.

Mark Rosman, *Chairman of the Remuneration Committee*

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VELTYCO GROUP PLC

Opinion
We have audited the consolidated financial statements of Veltyco Group PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and the notes to the consolidated financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern
We draw attention to note 1 in the financial statements, which indicates that at 31 December 2018 the Group is only able to continue as a going concern if it receives sufficient positive cash flows from its existing operations as projected by the Directors. This is contingent on future marketing activity being successful, players not having large wins, receivables being collected as they fall due and the continued support of creditors. If projected revenues are not achieved in quantum or timing, then the Group will need to raise equity or debt in order to meet its liabilities as they fall due.

The Group has made a loss for the year of €16.7m, has net current liabilities of €1.2m as at 31 December 2018, has cash outflow of €0.1m in 2018 and has made losses to date in the current year.

In any event that the Directors consider that further funding is likely to be required for working capital purposes and whilst they are confident of being able to raise such funding if required, there is no certainty that such funding will be available and/or the terms of such funding. In this instance the other intangible assets held by the Group at €1,431,925 and the goodwill held at €1,410,931 may be impaired, additional liabilities may arise and assets and liabilities currently classified as non-current may become current.

These conditions represent a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

In addition to the matter around going concern described above, we identified the key audit matters described below as those that were of most significance in the audit of the financial statements of the current period. Key audit matters include the most significant assessed risks of material misstatement, including those risks that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team.

In addressing these matters, we have performed the procedures below which were designed to address the matters in the context of the financial statements as a whole and in forming our opinion thereon. Consequently, we do not provide a separate opinion on these individual matters.

Key audit matter	**Description of risk**	**How the matter was addressed in the audit and key observations arising with respect to that risk**
Revenue recognition	Revenue is a key performance indicator of the Group. Due to the significant difficulty in collecting revenues from the online financial trading and lottery verticals, these activities were ceased during the year, leaving the Group reliant on revenues from its remaining business with Betsson, the Bet90 sports and casino activity and T4U. Revenue expectations may place pressure on the Directors to distort revenue recognition. This may result in overstatement or deferral of revenues to assist in meeting current or future targets or expectations.	The Group's revenue recognition policies are stated in note 3. We evaluated the design and implementation of relevant internal controls that the Group uses to ensure the completeness, accuracy and timing of revenue recognised. In testing revenue recognition we have: • Reviewed the Group's material contracts with customers. • Performed detailed testing on a sample of revenue transactions, including agreement to third party reports. • Where cash has been received it has been agreed to bank statements and remittance advice. • Agreed that revenue is being recognised correctly in line with IFRS 15. Where the above are the subject of the work of component auditors we have reviewed their working papers in respect of these items. We were unable to agree online financial trading revenue to the gaming platform operator's back office system as we had in previous years. We performed alternative procedures to satisfy ourselves that it was appropriate to recognise online

		financial trading revenue until the Directors considered it no longer probable that consideration would be collected.
Carrying amount and impairment of other intangible assets	As at 31 December 2018 the Group holds other intangible assets with a net book value of €1.4m. Of this balance, €1.1m relates to the brand and domain name of Bet90 Sports Limited and €300k to the domain name for T4U Marketing Limited. The Group has impaired €6.2m of intangible assets in the year. The Group's assessment of the carrying amount requires significant judgement, in particular regarding cash flows, growth rates, discount rates and sensitivity assumptions.	We challenged the assumptions used in the impairment model for intangible assets, described in note 10. As part of our procedures we: • considered the impact of ceasing to trade in the online financial trading and lottery verticals; • considered the impact of the Group's deferral of launching its own regulated online financial trading brand; • considered historical trading performance by comparing both revenue and operating profit of the Group's remaining business with Betsson, the Bet90 sports and casino activity and T4U with projected revenues and operating profits; • assessed the appropriateness of the assumptions concerning growth rates and inputs to the discount rate against latest market expectations; • considered the Directors' assertions about the Group's future utilisation of assets by cash generating unit; and • considered sensitivity analysis of key variables included within the value in use calculations. In performing our procedures, we used our internal valuation specialists and third party evidence to assess the appropriateness of the discount rate applied. The Directors have impaired €4m in respect of the player database held by Marsovia Holding Limited ('Marsovia'), €2.1m in respect of the domain names for the online financial trading activity and €7k of the brand and domain name in T4U Marketing Limited. Based on our

		procedures we concluded that these impairments were appropriate. The Directors have determined that no impairment on the domain name for Bet 90 Sports Limited was necessary. Based on our procedures we concluded that no impairment was required.
Carrying amount and impairment of goodwill	As at 31 December 2018 the Group holds goodwill with a net book value of €1.4m. €1.4m of this balance relates to the acquisition of Bet90 Sports Limited. The Group has impaired €333k of goodwill in the year relating to the acquisition of T4U Marketing Limited. The Group's assessment of carrying amount requires significant judgement, in particular regarding cash flows, growth rates, discount rates and sensitivity assumptions.	We challenged the assumptions used in the impairment model for goodwill, described in note 10. As part of our procedures we: • considered historical trading performance of both revenue and operating profit in respect of the Bet 90 sports and casino activity and T4U with projected revenue and operating profits; • assessed the appropriateness of the assumptions concerning growth rates and inputs to the discount rate against latest market expectations; • considered the Directors' assertions about the Group's future utilisation of assets by cash generating unit; and • considered sensitivity analysis of key variables included within the value in use calculations. In performing our procedures, we used our internal valuation specialists and third party evidence to assess the appropriateness of the discount rate applied. The Directors have impaired the full goodwill balance in T4U Marketing Limited and have determined that no impairment on the goodwill balance for Bet 90 Sports Limited was necessary. Based on our procedures we concluded that this was appropriate.
Completeness of related party transaction disclosures in note 30	During the 2017 audit process a material related party transaction was identified that had not been disclosed in the draft financial statements indicating that the Group's	We inquired of the Directors how their controls over related party relationships and transactions have been amended so as to identify any such transactions.

	controls for identifying related party transactions were not operating as intended. As such there is a risk that transactions have taken place with unidentified related parties.	We requested that the Directors circulate related party declarations to all members of Key Management Personnel so that they may be brought up to date immediately. We reviewed these related party declarations to ensure that all relevant transactions had been disclosed within the financial statements. For related parties that had been noted but with whom there were no transactions we considered whether we were aware of any transactions with that individual or entity. Where possible we have reviewed publicly available information, however due to the countries that the Group, its customers and suppliers operate in there is relatively little information available in this respect. We reviewed the minutes of Board meetings for any potential related party transactions. We made specific enquires of the Directors in respect of material contracts with customers. We have not identified any additional related party transactions as a result of the above procedures.
Recoverability of trade receivables as described in note 15	As at 31 December 2017 the Group had a trade receivable balance of €8.8m and accrued income of €2.7m. Of the €11.5m trade receivable and accrued income balance, €10.8m related to the Group's marketing activities in respect of online financial trading operators. €8.1m of this €10.8m is due from a single party, Altair Entertainment N.V. ("Altair").	We have reviewed the Sale and Purchase Agreement for Marsovia; verified the existence of the database and of a sample of customers on the database; reviewed the valuation of the database based on third party customer acquisition cost data and considered the impact of the Group's subsequent decision to defer the development of their own regulated online financial trading brand. We have reviewed the tri-partite set-off agreements in respect of the related party loan payable and amount due to a subsidiary of Altair.

	Part of this balance was settled through the acquisition of a player database in Marsovia and through a tri partite set off agreement leaving a balance of €4.9m due. During the year the Group impaired the receivables from the online financial trading and lottery business with a value of €10.7 million (including the balance from 2017 of €4.9m). The above factors represent a material risk in relation to the valuation of trade receivables.	All amounts due from Altair have been impaired and there has been no cash recovered to date. We have discussed the relationship between the Group and Altair with the Directors and they have confirmed that Altair is not a related party of the Group.

Materiality

The materiality for the financial statements as a whole was set at €220,000. This has been determined with reference to the benchmark of the Group's trading expenses, excluding impairment and amortisation charges. Revenue or profit were not deemed appropriate this year due to the impairment of online financial trading receivables.

An overview of the scope of our audit

Of the Group's 14 reporting components, we subjected ten to audit for Group reporting purposes and four to specific audit procedures where the extent of our audit work was based on our assessment of the risk of material misstatement and of the materiality of the Group. The latter have no audit requirements in their countries of incorporation but were still material to the Group.

The components within the scope of our work covered: 100% of the Group's revenue, loss before tax and net assets.

The Group audit team visited two component locations in the Netherlands and Cyprus. The component auditors in Malta sent their working papers electronically to the Group audit team. Telephone conference meetings were held with the component auditors in Cyprus and Malta. At these visits and meetings, the Group audit team discussed the component auditors' risk assessments and planned audit approach. Once the audit work was completed, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditors. In addition to these planned visits and meetings, the Group audit team sent detailed instructions to the component audit teams and reviewed their audit working papers.

Other information

The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 10, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with our engagement letter dated 19 February 2018. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

28 June 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2018 €	Year ended 31 December 2017 €
Revenues	4	11,634,173	16,194,791
Cost of Sales		(1,337,518)	(976,763)
Gross Margin		10,296,655	15,218,028
Salary expense		(1,402,887)	(1,087,235)
Marketing and selling expense		(5,381,050)	(4,550,529)
General administrative expense		(3,210,684)	(1,717,962)
Impairment of receivables	15	(10,712,715)	-
Depreciation, amortisation and impairment expense	10, 11, 13	(6,887,272)	(380,173)
Total administrative expenses		(27,594,608)	(7,735,899)
Operating (loss)/profit		(17,297,953)	7,482,129
Financial income		38,851	98,779
(Loss)/profit before tax	6	(17,259,102)	7,580,908
Taxation	7	555,800	(801,116)
Total comprehensive (loss)/profit		**(16,703,302)**	**6,779,792**
Attributable to:			
Equity holders of the Company		(15,177,112)	7,333,280
Non-controlling interests		(1,526,190)	(553,488)
		(16,703,302)	**6,779,792**
(Loss)/earnings per share attributable to equity holders of the Company			
- Basic (in €)	8	(0.2029)	0.1017
- Diluted (in €)	8	(0.2029)	0.0944

The Notes on pages 33 to 60 form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2018 €	31 December 2017 €
Non-current assets			
Goodwill	10	1,410,931	1,743,485
Other intangible assets	11	1,431,925	3,985,347
Investments	12	-	25,000
Property, plant and equipment	13	1,238	2,530
Loans receivable	14	-	997,476
Total non-current assets		2,844,094	6,753,838
Current assets			
Loans receivable	14	-	1,558,057
Trade and other receivables	15	854,215	11,881,469
Cash and cash equivalents	16	1,031,071	700,192
Total current assets		1,885,286	14,139,718
Total assets		4,729,380	20,893,556
Equity and liabilities			
Share capital	17	-	-
Additional paid-in capital	18	14,344,702	13,665,233
Reverse asset acquisition reserve	19	(6,046,908)	(6,046,908)
Retained earnings	20	(5,262,376)	9,948,904
Equity attributable to owners of the parent		3,035,418	17,567,229
Non-controlling interests		(1,411,578)	182,967
Total shareholders' equity		1,623,840	17,750,196
Non-current liabilities			
Borrowings	22	27,858	1,355,223
Total non-current liabilities		27,858	1,355,223
Current liabilities			
Trade and other payables	23	3,077,682	1,788,137
Total current liabilities		3,077,682	1,788,137
Total equity and liabilities		4,729,380	20,893,556

Approved by the board on 28 June 2019 and signed on its behalf by:

Paul Duffen
Chairman

The Notes on pages 33 to 60 form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	*Additional paid in capital*	*Other reserves - Reverse asset acquisition reserve*	*Retained earnings*	*Total*	*Non-controlling interest*	*Total Equity*
	€	*€*	*€*	*€*	*€*	*€*	*€*
Balance as at 1 January 2017	-	10,614,354	(6,046,908)	2,376,540	6,943,986	-	6,943,986
Profit for the financial period	-	-	-	7,333,280	7,333,280	(553,488)	6,779,792
Share based payments	-	161,000	-	239,084	400,084	-	400,084
Exercise of stock options and warrants	-	333,416	-	-	333,416	-	333,416
Non-controlling interests acquired	-	-	-	-	-	736,455	736,455
Issue of share capital	-	2,556,463	-	-	2,556,463	-	2,556,463
Balance as at 31 December 2017	-	13,665,233	(6,046,908)	9,948,904	17,567,229	182,967	17,750,196
Loss for the financial period	-	-	-	(15,177,112)	(15,177,112)	(1,526,190)	(16,703,302)
Dividend paid	-	-	-	(210,912)	(210,912)	(68,355)	(279,267)
Share based payments	-	-	-	176,744	176,744	-	176,744
Shares to be issued	-	555,500	-	-	555,500	-	555,500
Issue of share capital	-	123,969	-	-	123,969	-	123,969
Balance as at 31 December 2018	-	14,344,702	(6,046,908)	(5,262,376)	3,035,418	(1,411,578)	1,623,840

The Notes on pages 33-60 form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

	31 December 2018	*31 December 2017*
	€	€
Cash flows from operating activities		
Operating (loss)/profit	(17,297,953)	7,482,129
Adjustments for:		
Share based payments	176,744	239,084
Depreciation	1,292	1,628
Amortisation of intangibles	403,222	378,545
Impairment of intangibles	6,482,752	-
Impairment of receivables	10,737,715	-
Cash flow from operations before working capital changes	**503,772**	**8,101,386**
(Increase) in trade and other receivables	(1,058,697)	(9,279,131)
(Decrease)/increase in trade and other payables	533,580	146,894
Cash flow from operations	**(21,345)**	**(1,030,851)**
Tax paid	(86,823)	(72,152)
Cash flow from operating activities	**(108,168)**	**(1,103,003)**
Cash flow from investing activities		
Acquisitions of subsidiaries	-	(2,510,000)
Acquisitions of intangible assets	-	(75,000)
Acquisitions of investments	-	(25,000)
Loans granted	-	(189,681)
Loans repayments received	-	225,000
Interest received	38,851	15,007
Net cash inflow/(outflow) from investing activities	**38,851**	**(2,559,674)**
Cash flow from financing activities		
Proceeds of issue of new shares	679,469	2,889,879
Dividends paid	(279,273)	-
Loans repaid	-	1,328,865
Net cash inflow from financing activities	**400,196**	**4,218,744**
Net increase in cash and cash equivalents	330,879	556,067
Cash and cash equivalents at start of period	700,192	144,125
Cash and cash equivalents at end of period	**1,031,071**	**700,192**

The Notes on page 33-60 form part of these financial statements

Notes to the Consolidated Financial Statements
For the year ended 31 December 2018

Note 1: General Information

The principal accounting policies as adopted by the Group in the preparation of its consolidated financial statements for the year ended 31 December 2018 are set out below. The accounting policies have been consistently applied, unless otherwise stated.

Basis of preparation
The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (''IFRS'') as adopted by the European Union and issued by the International Accounting Standards Board (''IASB''). These accounting policies comply with each IFRS that is mandatory for accounting periods ending on or after 31 December 2018. The Consolidated Financial Statements have been prepared under the historical cost convention and on a going concern basis.

The Directors have reviewed the accounting policies used by the Group and consider them to be appropriate. With the exception of any changes relating to the effects of the implementation of IFRS9 ("Financial instruments") and IFRS 15 ("Revenue from contracts with customers"),as mentioned in paragraph 3,the accounting policies are consistent with the prior years.

Basis of consolidation
The Consolidated Financial Statements incorporate the results of Veltyco Group plc (the "Company") and entities controlled by the Company (its subsidiaries) (collectively the "Group"). Control is achieved where the Company has the power to govern the financial and operating policies of an entity.

The results of subsidiaries disposed of are included in the consolidated statement of comprehensive income to the effective date of loss of control and those acquired from the date on which control is transferred to the Group.

Going concern
The Group experienced significant operational difficulties during 2018 in respect to receiving agreed marketing commissions from operators within the online financial trading and lottery verticals and as a result, the Group terminated these activities in H2 2018 and they have been fully impaired in 2018. As a result, the Company has commenced procedures to seek to recover these receivables through a legal process, though this has not resulted in further receipts of cash to date.

Following the termination of the Group's marketing activities for the online financial trading and the lottery verticals, the Group is currently focusing its activities on operating in the sports book and casinos vertical and has revenues and cost centres in a number of locations throughout Europe.

As a result of the above, the Group achieved a net loss of €16.7 million for the year ended 31 December 2018. Furthermore, the Group had a negative cash flow from operations of €0.1 million for the year ended 31 December 2018 and the Directors expect the Group to be loss making for the six months ending 30 June 2019.

The Group has therefore sought to reduce its operating costs to match the current operations and the Directors continue to manage the Group's cash resources carefully. However, whilst they believe that the Group will be able to continue to manage its creditors, which are meaningfully in excess of the Group's current cash resources, should trading not be in line with expectations going forward and/or the Group is not able to manage its creditors, the Group's ability to meet such liabilities may be impacted, in which case the Group will need to raise further funding. In any event the Directors consider that further funding is likely to be required and continue to explore further appropriate sources of capital. Whilst they are confident of being able to raise such funding if required, there is no certainty that such funding will be available and/or the terms of such funding. However, these conditions are necessarily considered to represent a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

Whilst acknowledging this material uncertainty, the Directors remain confident of being able raise additional funding as required and therefore the Directors consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include the adjustments that would result if the Group and Company was unable to continue as a going concern.

Note 2: Critical accounting policies, estimates and judgements

The preparation of the Consolidated Financial Statements requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Areas of estimation

Impairment of Goodwill and other intangible fixed assets
Determining whether goodwill and other intangible fixed assets with a definite or indefinite useful life are impaired requires an estimation of the value-in-use of the cash-generating units. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and select a suitable discount rate in order to calculate present value together with an assessment as to whether future cash flows are subject to any degree of uncertainty. The work to assess the existence of impairment indicators and, where applicable, to evaluate the impairment of goodwill and intangible assets was conducted internally by the Directors. Further details are provided in Notes 10 and 11 of this report. However, there is a risk of a further impairment next year. There is a risk that there are insufficient future cash flows to support the value in use of these assets.

Standards in issue but not yet effective
The new standards apply to annual reporting periods beginning on or after 1 January 2019. The Group has not early adopted IFRS 16.

IFRS 16 Leases – IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 Leases requires lessees to recognise right-of-use assets and lease liabilities for most leases. A contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets are initially measured at cost and depreciated by the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The cost of right-of-use assets comprises of initial measurement of the lease liability, any lease payments made before or at the commencement date and initial direct costs. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and subsequently measured at amortised cost with the interest expense recognised within finance income (expense) in the consolidated statement of income.

In accordance with the transition provisions in IFRS 16, the Group is entitled to choose to apply the modified retrospective approach. Under this approach, a lessee does not restate comparative information and recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application.

During 2018, the Group has performed a detailed impact assessment of IFRS 16. Due to the limited number and the expiration of existing leases the impact on the financial statements will be immaterial.

The following relevant interpretations and amendments to existing standards issued by the IASB, have not been adopted by the Group as they were either not effective for the year or not yet endorsed for use in the EU. The Group is currently assessing the impact of these interpretations and amendments will have on the presentation of, and recognition in, parent company or consolidated results or financial position in future periods:

- Amendments to IAS28 – Long-term Interests in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2019).
- Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017) (effective for accounting periods beginning on or after 1 January 2019).
- IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments (effective for accounting periods beginning on or after 1 January 2019).
- Amendments to IAS19: Plan Amendment, Curtailment or Settlement (effective for accounting periods beginning on or after 1 January 2019).
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for accounting periods beginning on or after 1 January 2019).

Changes in accounting policies
Initial adoption of new financial reporting and accounting standards and amendments to existing financial reporting and accounting standards:

Initial adoption of IFRS 15, "Revenue from Contracts with Customers":

The IASB issued IFRS 15, "Revenue from Contracts with Customers" ("the new Standard") in May 2014. The new Standard replaces IAS 18, "Revenue", IAS 11, "Construction Contracts", IFRIC 13, "Customer Loyalty Programs", IFRIC 15, "Agreements for the Construction of Real Estate", IFRIC 18, "Transfers of Assets from Customers" and SIC-31, "Revenue – Barter Transactions Involving Advertising Services".

The new Standard has been applied for the first time in these consolidated financial statements. The Company elected to adopt the provisions of the new Standard using the modified retrospective approach with the application of certain practical expedients and without restatement of comparative data.

The adoption of IFRS 15 as of 1 January 2018 did not have a material effect on the consolidated financial statements.

Initial adoption of IFRS 9, "Financial Instruments":

In July 2014, the IASB issued the final and complete version of IFRS 9, "Financial Instruments" ("IFRS 9"), which replaces IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 mainly focuses on the classification and measurement of financial assets and it applies to all assets within the scope of IAS 39.

IFRS 9 has been applied for the first time in these consolidated financial statements retrospectively without restatement of comparative data. The adoption of IFRS 9 as of 1 January 2018 did not have a material effect on the consolidated financial statements.

Note 3: Significant accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

Revenue

As detailed in the initial adoption of IFRS 15, “Revenue from Contracts with Customers” (“the Standard”), the Company elected to adopt the provisions of the Standard using the modified retrospective method with the application of certain practical expedients and without restatement of comparative data.

The accounting policy for revenue recognition applied commencing from 1 January 2018 is as follows:

Revenue from contracts with customers is recognised when the control over the services is transferred to the customer. The transaction price is the amount of the consideration that is expected to be received based on the contract terms.

In determining the amount of revenue from contracts with customers, the Group evaluates whether it is a principal or an agent in the arrangement. The Group is principal when the Group controls the promised services before transferring them to the customer. In these circumstances, the Group recognises revenue for the gross amount of the consideration. When the Group is an agent, it recognises revenue for the net amount of the consideration, after deducting the amount due to the principal.

Marketing commission revenue
Revenue from marketing contracts with customers is recognised when the reports are received from the customers on which the Company is basing the amounts to be invoiced. The transaction price is the commission amount of the consideration that is expected to be received based on the contract terms. The performance obligation of a revenue contract is satisfied at the point a player’s losses are incurred. Operators typically pay a month in arrears. This gives rise to contract assets on a short term basis.

Sportsbook and casino revenue
Revenue is recognised provided that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognised in the accounting periods in which the transactions occurred and after adding the fees and charges applied to customer accounts, and is measured at the fair value of the consideration received or receivable.

Revenue consists of income from activities and income generated on customer deposit and withdrawals and account fees.

Revenue from these activities comprises:

Sportsbook
Sport online gaming revenue comprises bets placed less pay-outs to customers, adjusted for the fair value of open betting positions, adjusted for the fair value of certain promotional bonuses granted to customers.

Casino
Casino and Bingo online gaming revenue is represented by the difference between the amounts of bets placed by customers less amounts won, adjusted for the fair value of certain promotional bonuses granted to customers.

Administrative expenses
Administrative expenses consist primarily of staff costs (including contractors), corporate professional expenses, and depreciation and amortisation. All expenses are recognised on an accruals' basis.

Foreign currencies
Transactions in foreign currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Any gains or losses arising on translation are taken to the profit and loss.

Retirement benefit costs and pensions
The Group does not operate any defined benefit pension schemes for employees or Directors. The Group has no payment obligations relating to retirement and pension plans.

Taxation

Current tax
Current tax for each taxable entity in the Group is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the statement of financial position date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred tax
Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates and laws that have been enacted (or substantively enacted) by the date of the statement of financial position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the profit and loss, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Intangible fixed assets
Acquired intangible assets
Intangible assets acquired separately consist of domain names and customer lists and are capitalised at cost. Those acquired as part of a business combination are recognised separately from goodwill if the fair value can be measured reliably. These intangible assets are amortised over the useful life of the assets, which for domain names is ten years. The useful life of customer lists is 1 to 8 years.

The cost of intangible assets acquired in a business combination is the fair value at acquisition date. The valuation methodology used for each type of identifiable asset category is detailed below:

Asset category	Valuation methodology
Customer relationship	Excess earnings
Domain names	Relief from royalty
Licenses	Cost approach

Goodwill

Goodwill represents the excess of the fair value of the consideration in a business combination over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Consideration comprises the fair value of any assets transferred, liabilities assumed and equity instruments issued.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the profit and loss and not subsequently reversed. Where the fair values of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the profit and loss on the acquisition. Changes in the fair value of the contingent consideration are charged or credited to the profit and loss. In addition, the direct costs of acquisition are charged immediately to the profit and loss.

Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination except where any non-controlling interests have been acquired by the Group. At this point any share of gains or losses are transferred to the Group's retained earnings. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Impairment of non-financial assets

Impairment tests on goodwill are undertaken annually and where applicable an impairment loss is recognised immediately in the profit and loss. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (being the higher of value in use and fair value less costs to sell), the asset is written down accordingly through the profit and loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash generating unit (i.e. the smallest group of assets to which the asset belongs for which there are separately identifiable and largely independent cash inflows).

Investments

The Group reports its investments in entities at fair value with movements in fair value being taken directly to equity. The fair value of investments in unquoted equity securities cannot be reliably measured and they are therefore held at cost.

Equity

Equity comprises the following:

- "Share capital" represents amounts subscribed for shares at nominal value.
- "Additional paid in capital" represents amounts subscribed for share capital in excess of nominal value.

- The “Reverse asset acquisition reserve” represents the difference in carrying value between the Additional paid in capital of Veltyco and the Share capital of Sheltyco on the acquisition date.
- “Retained earnings” represents the accumulated profits and losses attributable to equity shareholders.

Financial instruments

Trade and other receivables

Trade receivables are held in order to collect the contractual cash flows and are initially measured at the transaction price as defined in IFRS 15, as the contracts of the Group do not contain significant financing components. Impairment losses are recognised based on lifetime expected credit losses in profit or loss.

Other receivables are held in order to collect the contractual cash flows and accordingly are measured at initial recognition at fair value, which ordinarily equates to cost and are subsequently measured at cost less impairment due to their short term nature. A provision for impairment is established based on 12-month expected credit losses unless there has been a significant increase in credit risk when lifetime expected credit losses are recognised. The amount of any provision is recognised in profit or loss.

Cash and cash equivalents, and finance income

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Finance income is recognised on bank balances as and when it is receivable.

Trade payables

Trade payables, including customer balances, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Financial liabilities

Financial liabilities are classified as financial liabilities measured at amortised cost. The Group determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities is initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in interest and other revenues and finance costs.

Borrowings and finance costs

Borrowings are initially recognised at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the Statement of Financial Position.

Note 4: Segment reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to the segments and to assess their performance. In accordance with IFRS 8, the chief operating decision maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The Board considers that the business comprises a single activity, being the marketing and promotion of gaming websites, lottery and online financial trading. Therefore, the Group is organised into one operating segment and there is one primary reporting segment. The segment information is the same as that set out in the Consolidated Statements of Comprehensive Income, Consolidated Statements of Financial Position, Consolidated Statements of Changes in Equity and Consolidated Statements of Cash Flows.

Revenue originates from:

	2018	2017
	€	€
British Virgin Islands	3,661,574	5,176,399
EU Countries	7,972,599	936,289
Other Non - EU Countries	-	10,082,103
Total	11,634,173	16,194,791

The Board evaluates the operations based on the revenues metric. Revenues consist of invoiced commissions for the marketing and player acquisition services provided as well as revenues generated from own operations. Veltyco operates an integrated business model and, therefore, does not allocate operating expenses, assets and liabilities to any of the originating countries.

The Group has three major customers that contribute over 10% of the Group's revenue for 2018. These customers contribute €5,632,105 (2017: €9,824,543), €2,346,429 (2017: €3,023,709) and €1,315,145 (2017: €2,084,569) respectively. The largest customer in 2018 related to the marketing commissions from the online financial trading business, which were discontinued in H2 208 and will not continue in 2019.

As previously communicated, the Group has terminated the marketing agreements relating to the online financial trading and lottery verticals. The revenues recorded were as follows:

	2018	2017
	€	€
Discontinued operations	6,947,250	12,174,793
Continuing operations	4,686,923	4,019,998
Total	11,634,173	16,194,791

Note 5: Key management remuneration

Key management remuneration for each period was as follows:

	Cash based salary €	*Share based payments* €	*Total Remuneration 2018* €	*Total Remuneration 2017* €
Melissa Blau *(Appointed 26 March 2018 and resigned 12 October 2018)*	220,000	-	220,000	-
Uwe Lenhoff *(Resigned 26 March 2018)*	180,000	-	180,000	180,000
David Mathewson *(Resigned 31 January 2018)*	2,500	-	2,500	128,839
Marcel Noordeloos	133,500	31,094	164,594	162,661
Hans Dahlgren *(Resigned 26 March 2018)*	7,500	31,094	38,594	59,161
Mark Rosman	120,000	28,021	148,021	53,852
Ilan Tzorya *(Resigned 26 March 2018)*	2,500	-	2,500	30,000
Gilles Ohana *(Resigned 30 January 2019)*	150,000	32,151	182,151	57,511
Rainer Lauffs *(Appointed 26 March 2018)*	156,000	6,585	162,585	-
Total	972,000	128,945	1,100,945	672,024

Note 6: Profit for the year

Profit before taxation is stated after charging/(crediting):

	Year ended 31 December 2018 €	*Year ended 31 December 2017* €
Depreciation of property, plant and equipment	1,292	1,628
Amortisation of intangibles	403,222	378,545
Impairment of intangibles	6,482,758	-
Impairment of receivables	10,712,715	-
Operating lease expenses	56,760	44,598
Share based payment charge	176,744	239,084
Foreign exchange (gains)	(11,113)	(10,988)

Note 7: Taxation

	Year ended 31 December 2018 €	*Year ended 31 December 2017* €
Profit/(loss) before tax	(17,259,102)	7,580,908
Profit before tax multiplied by the standard rate of corporation tax in Isle of Man of 0%	-	-
Adjustments to tax charge in respect of previous periods	(608,733)	-
Effect of different tax rates in other countries	52,933	801,116
Tax (credit)/charge	(555,800)	801,116

Note 8: Earnings per share (basic and diluted)

	Year ended 31 December 2018 €	*Year ended 31 December 2017* €
Earnings		
Earnings for the purposes of basic and diluted earnings per share, being net profit after tax attributable to equity shareholders	(15,177,112)	7,333,280
Number of shares		
Weighted average number of ordinary shares for the purposes of:		
Basic earnings per share	74,819,180	72,128,655
Diluted earnings per share	74,819,180	77,648,727
Basic earnings (in €)	(0.2029)	0.1017
Diluted earnings (in €)	(0.2029)	0.0944

The Group has granted share options in respect of equity shares to be issued, the details of which are disclosed in Note 21.

Note 9: Business combinations

Acquisition of Marsovia Holdings Ltd

In May 2018, the Company completed the acquisition of 100% in Marsovia Holding Ltd, a company that holds a database of approximately 43,500 customers from the online trading industry. The consideration of €4.0 million was offset against existing indebtedness and receivables due to the Group by Altair, therefore cash neutral. The Company believed that the acquisition would enable the Group to expand its own new regulated trading operations. However, as the launch of the new regulated financial trading brand has been postponed and the short-term focus of the Group's strategy is on sportsbook and casino activities, a full impairment of the value was recorded during the year.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

	€
Net assets	4,000,000
Total identifiable assets	4,000,000
Total Consideration	4,000,000
Satisfied by:	
Settlement of loans and receivables	4,000,000
Equity instruments	-
Total consideration transferred	4,000,000
Net cash outflow arising on acquisition:	
Cash consideration	-
Less: cash and cash equivalent balances acquired	-
	-

Note 10: Goodwill

	Goodwill
	€
Cost	
At 1 January 2017	-
Additions	1,743,485
Disposals	-
At 31 December 2017	1,743,485
Additions	-
Impairments	(332,554)
At 31 December 2018	(332,554)
Net Book Value	
At 1 January 2017	-
At 31 December 2017	1,743,485
At 31 December 2018	1,410,931

Goodwill
Goodwill arose following the acquisition of 51% in T4U Marketing Ltd and 51% in Quasar Holdings Ltd in 2017.

Key assumptions and inputs used
Cash flow projections have been prepared for a five-year period, following which a long-term growth rate has been assumed. Underlying growth rates have been applied to revenue and are based on past experience, including the results in 2017 and 2018. Key assumptions in preparing these cash flow projections include moderate growth in revenue, a stable level of costs per customer acquisition and the expectation that the Group will continue to operate in the countries currently being covered.

The Directors have performed an impairment review at the end of the year. This is done based on the discounted cash flow methodology, using the 2017 and 2018 results as the basis for the review, for which a weighted average cost of capital ("WACC") rate was used of 26% and no growth rate for the T4U Marketing Ltd acquisition. For the acquisition of Quasar Holdings Ltd the same WACC of 24% was used and a 2.5% long term growth rate after 5 years was used. This impairment review resulted in an impairment to goodwill of €332,554 for the year 2018 on the goodwill paid following the acquisition of T4U Marketing Ltd.

In assessing for impairment, the recoverable amount has been based on value in use.

Note 11: Other intangible assets

	Customer database	*Brand and domain names*	*Other*	*Total*
	€	€	€	€
Cost				
At 1 January 2017	37,142	3,076,603	-	3,113,745
Additions[(1)]	24,600	1,493,500	105,000	1,623,100
Disposals	-	-	-	-
At 31 December 2017	61,742	4,570,103	105,000	4,736,845
Addition	4,000,000	-	-	4,000,000
At 31 December 2018	4,061,742	4,570,103	105,000	8,736,845
Amortisation				
At 1 January 2017	(16,229)	(356,724)	-	(372,953)
Charge for the period	(18,623)	(329,610)	(30,312)	(378,545)
Disposals	-	-	-	-
At 31 December 2017	(34,852)	(686,334)	(30,312)	(751,498)
Charge for the period	(7,717)	(360,505)	(35,000)	(403,222)
Impairment	(4,000,000)	(2,150,201)	-	(6,150,201)
At 31 December 2018	(4,042,569)	(3,197,039)	(65,312)	(7,304,920)
Net Book Value				
At 1 January 2017	20,913	2,719,879	-	2,740,792
At 31 December 2017	26,890	3,883,769	74,688	3,985,347
At 31 December 2018	19,173	1,373,064	39,688	1,431,925

At year-end, the domain names relating to the online financial trading vertical have been impaired. The book value of these domains amounted to €2,143,218. Furthermore, a €6,983 impairment charge for the Tippen4you.com domain has been recorded. The remaining book value of the brand and domain names relate to the acquisition of Quasar Holdings Ltd and T4U Marketing ltd in 2017.

(1) Material additions during 2017 and 2018 were:

- In April 2017, the Company completed the acquisition of 51% in the share capital of T4U Marketing Ltd for a cash consideration of €510,000. The domain was valued at €328,000 and will be amortised over a period of 20 years. The amortisation charge for the year amounts to €16,400 and the remaining book value amounts to €304,617. The remaining life is 18.5 years; and
- In June 2017, the Company completed the acquisition of 51% in the share capital of Quasar Holdings Ltd for a cash consideration of €2,000,000. The Bet90 domain was valued at €1,165,500 and will be amortised over a period of 20 years. The amortisation charge for the year amounts to €55,774 and the remaining book value amounts to €1,068,447. The remaining life is 18.5 years.
- In May 2018, the Company completed the acquisition of 100% in Marsovia Holding Ltd, a company that holds a database of approximately 43,500 customers from the online trading industry. The consideration of €4.0 million was offset against existing indebtedness and receivables due to the

Group by Altair, therefore cash neutral. The Company believed that the acquisition would enable the Group to expand its own new regulated trading operations, and planned the database to be amortised over the use of the database, or a term of 2 years. However, as the launch of the new regulated financial trading brand has been postponed and the short-term focus of the Group's strategy is on sportsbook and casino activities, a full impairment of the value was recorded during the year.

Further details of the Marsovia acquisition are provided in Note 9.

Note 12: Investments

	Financial assets held at fair value through profit or loss
Cost	€
At 1 January 2017	-
Additions	25,000
Disposals	-
At 31 December 2017	25,000
Additions	-
Disposals	-
Impairment	(25,000)
At 31 December 2018	-

On 10 October 2017, the Group acquired a minority stake in eSports Radar Ltd.

On transition to IFRS 9, this asset was reclassified from available for sale to fair value through profit or loss. As the company has ceased operations in early 2019, the investment has been impaired.

Note 13: Property, plant & equipment

	Furniture & equipment €	*Computers* €	*Total* €
Cost			
At 1 January 2017	4,500	1,005	5,505
Additions	-	-	-
Disposals	-	-	-
At 31 December 2017	4,500	1,005	5,505
Additions	-	-	-
Disposals	-	-	-
At 31 December 2018	4,500	1,005	5,505
Depreciation			
At 1 January 2017	(1,012)	(335)	(1,347)
Charge for the period	(1,125)	(503)	(1,628)
Disposals	-	-	-
At 31 December 2017	(2,137)	(838)	(2,975)
Charge for the period	(1,125)	(167)	(1,292)
Disposals	-	-	-
At 31 December 2018	(3,262)	(1,005)	(4,267)
Net Book Value			
At 1 January 2017	3,488	670	4,158
At 31 December 2017	2,363	167	2,530
At 31 December 2018	1,238	-	1,238

Note 14: Loan receivable

	31 December 2018 €	*31 December 2017* €
Balance at 1 January	2,555,533	2,507,080
New loans granted	-	189,681
Repayments *	(2,581,868)	(225,000)
Interest charged	26,335	83,772
Balance at 31 December	-	2,555,533

*repayment of the loan balance was done by offsetting the purchase price of the shares in Marsovia Holdings Ltd (see Note 11).

The loans are repayable as follows:

	31 December 2018 €	31 December 2017 €
Within one year	-	1,558,057
Between one and five years	-	997,476
Balance at 31 December	-	2,555,533

The loan receivable had an interest of 3% per annum.

On 25 May 2018, the Group entered into an agreement with Altair to acquire the entire issued share capital of Marsovia, which was the first step in the Group seeking to launch a new regulated brand, active in the online trading vertical. Marsovia holds a database of approximately 43,500 customers, of which approximately 26,000 are considered to be active, in the online trading vertical.

The total consideration for this transaction amounted to €4.0 million and was offset against the above existing indebtedness of, in aggregate, €2.6 million owed by Altair pursuant to certain loans provided by the Group and certain trade receivables of approximately €1.4 million owed by Altair to the Group pursuant to the Group's market activities, resulting in this acquisition being cash neutral for Veltyco. However, as the launch on the new regulated financial trading brand has been postponed and the short-term focus of the Group's strategy is on sportsbook and casino activities, a full impairment of the value was recorded during the year.

Note 15: Trade and other receivables

	Year ended 31 December 2018 €	Year ended 31 December 2017 €
Trade receivables	132,544	8,801,189
VAT receivables	117,163	37,714
Other receivables and prepayments	350,700	299,998
Accrued income	253,808	2,742,568
Total	854,215	11,881,469

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Group has policies in place to ensure that provision of services is made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate. Due to the nature of the Group's operations the Group only has a few customers.

Impairment
A provision for impairment of trade receivables is established using an expected loss model. Expected loss is calculated from a provision matrix based on the expected lifetime default rates and estimates of loss on default. During the year ended 31 December 2018, the Company recorded an impairment charge

for potential recoverability problems on the receivables, amounting to €10,712,715 (2017: €302,431).

As at 31 December 2017 and 2018, the ageing of trade and other receivables that were not impaired are as follows:

	Year ended 31 December 2018 €	*Year ended 31 December 2017* €
Not due	58,270	277,070
Past due 1-30 days	41,167	910,072
Past due 31-120 days	24,117	3,078,926
Past due more than 120 days	8,990	4,535,121
Total	132,544	8,801,189

Management believes that the unimpaired amounts that are past due are collectible in full.

Note 16: Cash and cash equivalents

	Year ended 31 December 2018 €	*Year ended 31 December 2017* €
Cash held in current accounts	1,031,071	660,192
Restricted cash	-	40,000
Total	1,031,071	700,192

The restricted cash related to a regulatory amount to cover liabilities to players at year-end.

Note 17: Share capital

	Year ended 31 December 2018 €	*Year ended 31 December 2017* €
Allotted, called up and fully paid		
74,956,159 (2017: 74,418,659) Ordinary shares	-	-
Par value of the shares	nil	nil

During the year a total of 437,500 new Ordinary Shares have been issued on exercising the same number of outstanding and vested options and warrants. 100,000 new Ordinary Shares were issued as part of settlement of consideration to be paid.

Note 18: Additional paid in capital

Additional paid in capital represents amounts subscribed for share capital in excess of nominal value.

Note 19: Reverse asset acquisition reserve

The reverse acquisition completed on 30 June 2016 has been accounted for as a share-based payment transaction which should be accounted for in accordance with IFRS 2. On the basis of the guidance in paragraph 13A of IFRS 2, the difference in the fair value of the consideration shares and the fair value of the identifiable net assets should be considered to be payment for the services to transition to a public company. The excess consideration over fair value of net assets acquired has been recognised in the Statement of Comprehensive Income for 2016.

Note 20: Retained earnings

Retained earnings represents the cumulative net gains and losses recognised in the consolidated statement of comprehensive income and other transactions with equity holders.

Note 21: Share based payments

Equity-settled share option scheme
On 17 May 2016, the Company adopted a “long term incentive senior management and Directors’ stock option plan” (“the Plan”). Options granted under the Plan will entitle the participant to acquire Ordinary Shares at a price determined in accordance with the rules of the Plan.

As at 31 December 2018, the following options have been granted under the Plan.

On 21 February 2014, David Mathewson was appointed Executive Chairman of the Board and was granted 240,000 options on Ordinary Shares, with an exercise price of £0.75 per share for all of the options. The Board renewed and repriced these options on 30 June 2016 to a new exercise price of £0.25 per share. These options vest over 3 equal yearly instalments starting 1 year after the grant date provided that the participant remains a Director or employee of the company during this period. These options expire on 30 June 2019.

A total of 4,150,000 share options have a grant date of 30 June 2016, with an exercise price of £0.25 for all of the options. These options expire on its 5th anniversary on 30 June 2021. Further to this, 800,000 options have a grant date of 22 May 2017, with an exercise price of £0.25 for all of the options. These 800,000 options expire on its 5th anniversary on 22 May 2022. These options vest over 4 equal yearly instalments starting 1 year after grant date provided that the participant remains a Director or employee of the Company during this period.

At the time of the AGM in 2017, on 5 July 2017, the Board granted a further 1,200,000 options to certain Directors with an exercise price of £0.65 for all of the options. These options expire on its 5th anniversary on 5 July 2022. All options vest over 4 equal yearly instalments starting 1 year after the grant date provided that the participant remains a Director or employee of the company during this period.

During 2017, a total of 262,500 of these options were exercised, all with an exercise price of £0.25 per share, for which the Company issued new Ordinary Shares. As a result of David Mathewson’s resignation per 31 January 2018, a total of 390,000 options with an exercise price of £0.25 and 300,000 options with an exercise price of £0.65 were cancelled during the year. Mathewson’s remaining 250,000 options with an exercise price of £0.25 were exercised in February 2018.

Furthermore, during 2018, a total of 437,500 options have been exercised, all with an exercise price of £0.25 per share, for which the Company issued new Ordinary Shares.

As a result of the above the total of 5,000,000 options are outstanding at 31 December 2018.

Warrants
On 30 June 2016, the Company issued new Ordinary Shares in relation to funds raised and loans converted as part of the reverse merger and re-admission of the Group. As part of this fundraise and conversion, the Company issued 1 warrant for every 5 new Ordinary Share allotted pursuant to the conversion and subscription agreements, exercisable at £0.31 per warrant at any time during the period from the date of issue until the 5th anniversary of issue.

As a result of this a total of 758,221 warrants were issued on 30 June 2016. On 2 September 2016, the Company issued a further 175,798 warrants at the same conditions as part of completion of the subscription agreements in relation to the reverse merger.

Furthermore, on 30 June 2016, 500,000 existing warrants were converted into 20,000 warrants as part of the 25 to 1 consolidation of shares. These warrants have an exercise price of £0.75. These warrants could be exercised until 17 February 2019 (which did not occur subsequent to year-end, before 17 February 2019, and therefore these warrants have now expired).

On 4 October 2017, the Company issued 109,846 warrants to Strand Hanson Limited, on their appointment of being Nominated Adviser for the Company on 4 October 2017. These warrants have an exercise price of £0.895 per warrant and can be exercised during the period from the date of issue until the 5th anniversary. Subsequent to year-end, the Company agreed to reprice these options to an exercise price of £0.15 per warrant. The other conditions have not changed.

During 2017, a total of 733,521 warrants with an exercise price of £0.31 per share were exercised, for which the Company issued new Ordinary Shares.

No warrants have been exercised during 2018.

As a result of the above a total of 330,344 warrants are outstanding at 31 December 2018.

Details of the share options and warrants outstanding during the period are as follows:

	Number of share options and warrants[1]	*Weighted average exercise price (£)*
Outstanding as at 1 January 2016	263,120	0.850
Exercisable as at 1 January 2016	82,080	1.075
Forfeited during 2016	(243,120)	9.625
Renewed on 30 June 2016	240,000	0.250
Options granted on 30 June 2016	4,150,000	0.250
Warrants granted on 30 June 2016	758,221	0.310
Warrants granted on 2 September 2016	175,798	0.310
Outstanding as at 31 December 2016	5,344,019	0.262
Exercisable as at 31 December 2016	954,019	0.319
Forfeited during 2017	(690,000)	0.424
Options granted on 22 May 2017	800,000	0.250
Options granted on 5 July 2017	1,200,000	0.650
Warrants granted on 5 October 2017	109,846	0.895
Warrants exercised on 21 July 2017	(733,521)	0.310
Options exercised on 18 September 2017	(262,500)	0.250
Outstanding as at 31 December 2017	5,767,844	0.314
Exercisable as at 31 December 2017	957,999	0.264
Options exercised on 16 February 2018	(250,000)	0.250
Options exercised on 19 July 2018	(187,500)	0.250
Outstanding as at 31 December 2018	5,330,344	0.335
Exercisable as at 31 December 2018	1,850,000	0.326

[1] The warrants, options and prices in this table have been adjusted to reflect the 25:1 consolidation of shares as executed on 30 June 2016.

The options outstanding as at 31 December 2018 had a weighted average remaining contractual life of 2.9 years. The value of the options has been derived by using a Black Scholes pricing model for the options granted on 22 May 2017 and granted on 5 July 2017. The inputs into the pricing models were as follows:

	Warrants granted on 30 June 2016	*Warrants granted on 2 September 2016*	*Options granted on 30 June 2016*	*Options granted on 22 May 2017*	*Options granted on 5 July 2017*
Share price at grant date	£0.20	£0.24	£0.20	£0.52	£0.62
Exercise price	£0.31	£0.31	£0.25	£0.25	£0.65
Volatility	26.3%	26.3%	26.3%	34.3%	34.3%
Expected life	5 years	5 years	5 years	5 years	5 years
Risk free rate	1.1%	1.1%	1.1%	2.51%	2.51%
Expected dividend yield	0%	0%	0%	0%	0%

As the Company has only been trading since 30 June 2016, the expected volatility for all options was determined by taking the average the Company's share price and the historical volatility of a peer group over a 5-year period.

The total value of the warrants granted on 30 June 2016 as calculated above is €20,219. Of this amount, nothing has been charged in the financial statements for the year ended 31 December 2018 (2017: €nil).

The total value of the warrants granted on 2 September 2016 as calculated above is €8,097. Of this amount, nothing has been charged in the financial statements for the year ended 31 December 2018 (2017: €nil).

The total value of the options granted on 30 June 2016 is €173,129. Of this amount, €32,923 has been charged in the financial statements for the year ended 31 December 2018 (2017: €68,214). The remaining balance of €21,400 will be charged in the financial statements of the years ending 31 December 2019 and 2020.

The total value of the options renewed on 30 June 2016 is €8,000. Of this amount, €nil has been charged in the financial statements for the year ended 31 December 2018 (2017: €4,207). These options were cancelled during 2017 and therefore there is no remaining balance.

The total value of the options granted on 22 May 2017 is €287,272. Of this amount, €70,492 has been charged in the financial statements for the year ended 31 December 2018 (2017: €45,011). The remaining balance of €171,769 will be charged in the financial statements of the years ending 31 December 2019, 2020 and 2021.

The total value of the options granted on 5 July 2017 is €276,712. Of this amount, €73,528 has been charged in the financial statements for the year ended 31 December 2018 (2017: €121,653). The remaining balance of €81,531 will be charged in the financial statements of the years ending 31 December 2019, 2020 and 2021.

Note 22: Borrowings

	31 December 2018	*31 December 2017*
	€	€
Other loans	-	350,000
Loan from a shareholder	27,858	27,108
Loan from a related party	-	978,115
	27,858	1,355,223

The other loans are unsecured and bear an interest rate of 3% per annum. During the first months of 2018, the Company has settled the other loans in full.

The loan from a shareholder is a long-term loan provided by the Company's main shareholder, Lensing Management Services Ltd ("Lensing"), a related party, indirectly owned and controlled by Uwe Lenhoff, one of the Company's largest shareholders, amounting to €27,858 (2017: €27,108). This loan bears interest at 3% per annum and remains outstanding.

The loan from related parties in 2017 was a loan to Bet90 Sports Ltd, in which the Group has a 51% interest, provided by Winslet Enterprises Ltd (the "Winslet Loan"), a company controlled by Uwe Lenhoff. The Winslet Loan was for an initial sum of up to €1.5 million and was made to the Group to accelerate the launch of www.Bet90.com, the Group's sports book which went live at the end of July 2017. The Winslet Loan was non-interest bearing, unsecured and for a term of two years. The quantum of the Winslet Loan subsequently increased to €2,466,806 and on 3 May 2018, the Group entered into a set-off agreement with Winslet (the "Set-off Agreement") pursuant to which the balance of the Winslet Loan was settled in full against a corresponding amount of trade receivables due from operators for whom Veltyco undertakes marketing activities in the online financial trading vertical. As a result, the trade receivables reduced by an equivalent amount, resulting in the Set-off Agreement being cash neutral to the Group.

Note 23: Trade and other payables

	31 December 2018 €	*31 December 2017* €
Trade payables	1,626,884	558,111
Accrued expenses	107,077	239,630
Liabilities to customers	201,709	62,337
Corporation tax payable	96,846	739,470
Other creditors	1,045,166	188,589
	3,077,682	1,788,137

Note 24: Capital commitments

At 31 December 2018 and 31 December 2017 there were no capital commitments.

Note 25: Contingent liabilities

There were no contingent liabilities at 31 December 2018 or 31 December 2017.

Note 26: Operating Lease Commitments

The future aggregate minimum lease payments under non-cancellable operating leases as at 31 December 2018 and 31 December 2017 are as follows:

	31 December 2018 €	*31 December 2017* €
No later than 1 year	34,400	55,350
Later than 1 year and no later 5 years	3,733	84,108
Total	38,133	139,458

Subsequent to year-end the Group terminated one of the lease agreements, which now expires June 2019. The table has been adjusted accordingly.

Note 27: Financial instruments – Fair Value and Risk Management

The Group is exposed through its operations to risks that arise from use of its financial instruments. The Board approves specific policies and procedures in order to mitigate these risks.

The main financial instruments used by the Group, on which financial risk arises, are as follows:

- Cash and cash equivalents;
- Trade and other receivables;
- Trade and other payables; and
- Customer deposits in case of the Bet90 operations.

Detailed analysis of these financial instruments is as follows:

Financial assets	**2018 €**	**2017 €**
Loans receivable (Note 14)	-	2,555,533
Trade and other receivables (Note 15)	854,215	11,881,469
Cash and cash equivalents (Note 16)	1,031,071	700,191
Total	1,885,286	15,137,193

On transition to IFRS 9 all financial assets were reclassified from loans and receivables to amortised cost, except for investments which are now classified as fair value through profit or loss as noted above in note 12.

Financial liabilities	**2018 €**	**2017 €**
Trade and other payables[1] (Note 23)	2,873,760	809,037
Accrued liabilities	107,077	239,630
Borrowings (Note 22)	27,858	1,355,223
Total	3,008,695	2,403,890

[1]Excludes taxes payable.

In accordance with IFRS 9, all financial liabilities are held at amortised cost.

Capital

The capital employed by the Group is composed of equity attributable to shareholders. The primary objective of the Group is maximising shareholders' value, which, from the capital perspective, is achieved by maintaining the capital structure most suited to the Group's size, strategy, and underlying business risk. There are no demands or restrictions on the Group's capital.

The main financial risk areas are as follows:

Credit risk

Trade receivables

The Group's credit risk is primarily attributable to trade receivables, most of which are due from the Group's partners for which it operates the marketing activities and player acquisitions. These are third party companies that operate the websites. As the Group operates a limited number of brands the trade receivables are with a limited number of partners.

The risk is that a partner would fail to discharge its obligation with regard to the balance owed to the Group. The Group reduces this credit risk by monitoring the activity for these operations and arranging for the shortest possible cash settlement intervals. As the Group has ongoing relationships with its partners, the Directors have visibility on the activity in its partners' operations.

The Group considers that based on the factors above, recent developments with respect to these partners, to provide for the collectability risk. Due to this, the Company has recorded a charge of €10,712,715 in the 2018 accounts.

For the Group's own operations in Bet90, an additional credit risk relates to customers disputing charges made to their credit cards ("chargebacks") or any other funding method they have used in respect of the services provided by the Group. Customers may fail to fulfil their obligation to pay, which will result in funds not being collected. These chargebacks and uncollected deposits, when occurring, will be deducted at source by the payment service providers from any amount due to the Group. The risk for the year 2018 has been assessed by the Board to being immaterial.

Trade receivables are considered in default and subject to additional credit control procedures when they are more than 60 days past due in line with industry practice. Trade receivables are only written off when there is no reasonable expectation of recovery due to insolvency of the debtor.

12 month and lifetime expected credit losses are estimated based on historical loss rates for the relevant country, adjusted where evidence is available that different rates are likely to apply in the future. This is based on changes to the expected insolvency rates in the relevant countries.

Financial assets which are past due but not impaired

	2018				
	Not yet due	Up to 3 months over due	Up to 12 months over due	Over 1 year over due	Total
	€	€	€	€	€
Loans receivable	-	-	-	-	-
Trade receivables	68,597	41,167	22,780	-	132,544
Accrued income	253,808	-	-	-	253,808
Other receivables	267,863	-	200,000	-	467,863
Total	590,268	41,167	222,780	-	854,215

For further information, refer to the going concern disclosure in Note 1.

	2017				
	Not yet due	Up to 3 months over due	Up to 12 months over due	Over 1 year over due	Total
	€	€	€	€	€
Loans receivable	1,864,336	-	-	691,197	2,555,533
Trade receivables	277,070	3,988,997	4,400,122	135,000	8,801,189
Accrued income	2,742,568	-	-	-	2,742,568
Other receivables	337,712	-	-	-	337,712
Total	5,221,686	3,988,997	4,400,122	826,197	14,437,002

Liquidity risk

Liquidity risk exists where the Group might encounter difficulties in meeting its financial obligations as they become due. The Group monitors its liquidity in order to ensure that sufficient liquid resources are available to allow it to meet its obligations.

The following table details the contractual maturity analysis of the Group's financial liabilities:

	2018				
	On demand	In 3 months	Between 3 months and 1 year	More than 1 year	Total
	€	€	€	€	€
Trade and other payables[1]	2,873,760	-	-	-	2,873,760
Accrued liabilities	107,077	-	-	-	107,077
Borrowings	-	-	-	27,858	27,858
Total	2,980,837	-	-	27,858	3,008,695

[1]Excludes taxes payable.

	2017				
	On demand	In 3 months	Between 3 months and 1 year	More than 1 year	Total
	€	€	€	€	€
Trade and other payables[1]	809,037	-	-	-	809,037
Accrued liabilities	239,630	-	-	-	239,630
Borrowings	-	-	-	1,355,223	1,355,223
Total	1,048,667	-	-	1,355,223	2,403,890

[1]Excludes taxes payable.

Note 28: List of subsidiaries

The Company held the issued shares of the following subsidiary undertakings as at 31 December 2018:

Name of subsidiary	Place of Incorporation	Proportion of ownership and voting power	Ownership
Veltyco Ventures Ltd	Isle of Man	100%	Direct
Veltyco Services BV	The Netherlands	100%	Direct
Sheltyco Enterprises Group Ltd	British Virgin Islands	100%	Direct
Sheltyco Enterprises Ltd	Cyprus	100%	Indirect, through Sheltyco Enterprises Group Ltd
Sheltyco Enterprises Marketing Ltd	Cyprus	100%	Indirect, through Sheltyco Enterprises Group Ltd
Silkline Marketing Ltd	Cyprus	100%	Indirect, through Sheltyco Enterprises Group Ltd
Tunegames Marketing Ltd	Cyprus	100%	Indirect, through Sheltyco Enterprises Group Ltd
Tunegames Holding Ltd	Cyprus	100%	Indirect, through Sheltyco Enterprises Group Ltd
T4U Marketing Ltd	Cyprus	51%	Indirect, through Sheltyco Enterprises Group Ltd
Marsovia Holding ltd	Cyprus	100%	Indirect, through Sheltyco Enterprises Group Ltd
Quasar Holdings Ltd	Malta	51%	Indirect, through Veltyco Ventures Ltd
Bet90 Sports Ltd	Malta	51%	Indirect, through Quasar Holdings Ltd
Velty Bulgaria Ltd	Bulgaria	100%	Indirect, through Veltyco Ventures Ltd
Veltyco Licensing Ltd	Malta	100%	Indirect, through Veltyco Ventures Ltd

Note 29: Reconciliation of debt

The Group had the following movement in the borrowings:

	At 1 January 2018	*Cash*	*Other settlements*	*At 31 December 2018*
	€	€	€	
Borrowings	1,355,223	-	(1,327,365)	27,858
	1,355,223	-	(1,327,365)	27,858

	At 1 January 2017	*Cash*	*Other*	*At 31 December 2017*
	€	€	€	
Borrowings	26,358	1,328,865	-	1,355,223
	26,358	1,328,865	-	1,355,223

Note 30: Related party transactions

Remuneration of Directors and key employees
Remuneration of Directors and key employees is disclosed in Note 5.

Other related party transactions
The Group has recorded expenses totalling €152,039 (2017: €241,929) to Softlot Software Services Ltd ("Softlot"), a company controlled by Uwe Lenhoff, one of the main shareholders. Softlot provides B2B services for lottery operations and following the cessation of marketing activities in this vertical, Softlot is currently providing no services to the Group and as 31 December 2018, no amounts were outstanding to be paid to Softlot (2017: €755).

Furthermore, the Group has a loan payable to the Company's main shareholder, Lensing, a company indirectly owned and controlled by Uwe Lenhoff, amounting to €27,858 (2016: €27,108). This loan bears an interest of 3% per annum.

The Group also entered into the Winslet Loan as detailed in Note 22.

Included within other debtors, the Group has a current account balance with certain Directors and Senior Management, amounting to €nil at 31 December 2018 (2017: €166,590 receivable from Directors). This current account is interest free and has no specific repayment date. The current account existed to advance funds to the Directors for company expenses.

Payables to related parties
The Group had the following amounts payable to related parties:

	Year ended 31 December 2018	*Year ended 31 December 2017*
	€	€
Softlot	-	755
Loan from Lensing (Note 22)	27,858	27,108
Loan from Winslet (Note 22)	-	978,115
Total	27,858	1,005,978

Intra group transactions
Transactions between Group companies have not been disclosed as these have all been eliminated in the preparation of the Consolidated Financial Statements.

Note 31: Ultimate controlling party

As at 31 December 2018 the Directors do not believe there to be any single controlling party.

Note 32: Post balance sheet events

On 30 January 2019, the Company announced that it had raised €555,500 (£500,000) through the subscription of 3,333,333 new Ordinary Shares with certain existing investors, at a price of £0.15 per share. On the same day, the Board resolved to issue 200,000 new Ordinary Shares to an adviser in lieu of certain fees

On 15 February 2019, the Company announced that on 14 February 2019, it granted options over, in aggregate, 2,420,000 Ordinary Shares to the Directors and certain employees of the Company, pursuant to the Company's Long-Term Incentive Plan - May 2016 (as amended).

These options have an exercise price of £0.15 per share. Pursuant to the terms of the 2016 Plan, the options will vest in equal instalments over the four years following the first anniversary of the date of grant and any of the options that remain unexercised on the fifth anniversary of the date of grant will lapse. In light of these new options being granted, Mark Rosman and Marcel Noordeloos agreed with the Company to cancel 300,000 options granted to each of them on 5 July 2017. In addition, 109,846 existing warrants that were granted by the Company on 5 October 2017, have had the terms amended, such that they will now be exercisable at a price of £0.15 per share.

On 1 April 2019, the Company announced that it had entered into separate loan agreements with three of its Directors, being Paul Duffen, Marcel Noordeloos and Mark Rosman, pursuant to which each Director provided a loan of €166,667 (£146,667) to the Company, totalling €500,000 (£440,000) (the "Loans"). The Loans, which are unsecured, are for a term of three years and will accrue interest at 5% per annum over the term of the Loans. The Loans can be repaid on or before 31 March 2022 at the Company's election.

On 30 May 2019, the Company announced that it had raised a further €300,000 (£264,000) through the subscription of 4,000,000 new Ordinary Shares with a certain existing investor, at a price of £0.066 per share.
