RNS Number : 0366V
Gaming Realms PLC
03 April 2023

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Gaming Realms plc

(the "Company" or the "Group")

Annual Results 2022

27% increase in Revenue and 34% increase in Adjusted EBITDA[1]

Strong start to 2023 with year-on-year revenue increase over 50%

Gaming Realms plc (AIM: GMR), the developer and licensor of mobile focused gaming content, announces its annual results for the year ended 31 December 2022 and Q1 highlights for 2023.

Gaming Realms' continued focus on content licensing has seen further growth in revenues and high margins. This growth has been in pre-existing markets as well as entering new markets in the year. With the current strong pipeline of games and operators to onboard, the Group's growth is expected to continue in 2023.

2022 Financial Highlights:

- Revenue increased by 27% to £18.7m (2021: £14.7m)
  - Licensing revenue increased by 35% to £14.9m (2021: £11.1m)
  - Social publishing revenue increased by 3% to £3.7m (2021: £3.6m)
- EBITDA before share option and related charges (Adjusted EBITDA) increased 34% to £7.8m (2021: £5.8m)
- Profit before tax for the year increased 224% to £3.5m (2021: £1.1m)
- Year-end cash balance of £2.9m (2021: £4.4m) after making a repayment to Gamesys Group of £3.4m resulting in the Group ending the year debt free

2022 Operational Highlights:

- Portfolio of proprietary games on the Group's remote game server ("RGS") grew to 65 (2021: 53)
- Launched in 3 newly regulated iGaming markets in North America: Ontario, Quebec and Connecticut
- Launched in 3 further European regulated iGaming markets: Spain, Denmark and Belgium
- Launched with 56 new partners for Slingo Originals content including Pokerstars, Betway, Loto Quebec and Snaitech
- Signed licensing deals with Konami Gaming and Taito Corporation
- Increased unique players in licensing business by 19%
- Phase one of the migration to a more dynamically scalable next-gen RGS platform
- Launched the first 3 games in Europe and North America for 4ThePlayer on our distribution network

2023 Highlights:

- Increased year-on-year revenue by 53% in the two months post year end to £3.7m (2022: £2.4m)
- Launched with 13 new operators including Bet365 in the UK, OLG in Ontario, Rush Street Interactive in Mexico and Betway in Pennsylvania
- Signed an IP deal with Tetris to release a Slingo Tetris game internationally later in 2023
- Released 3 new Slingo games including *Slingo Cleopatra and Slingo Golden Envelope*

1. EBITDA is profit before interest, tax, depreciation, amortisation and impairment expenses and is a non-GAAP measure. The Group uses EBITDA before share option and related charges (Adjusted EBITDA) to comment on its financial performance above.

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Outlook:

Gaming Realms continues to deliver on its strategy of becoming a leading supplier to the international iGaming market. In 2022, the Group launched in 6 new markets, including Connecticut and Ontario in North America and continues to be strategically placed for new market openings in North America. Gaming Realms is also growing in its existing markets and partners, resulting in growth with a high margin. With 13 new partners already launched in 2023, together with 3 new Slingo games, the Board is confident in the Group's strategy and expectations as we look ahead at the rest of the current year.

Commenting on the Group's performance, Mark Segal, CEO, said:

"2022 was another exceptional year for the Group as we continue with our proven strategy of expanding our Slingo portfolio with new titles and entering new iGaming jurisdictions alongside our operating partners. This has supported our 27% revenue growth and we have ended the year with a record profit of £3.5m.

"Having grown our portfolio of games to 65 through 2022 and launched with 56 new partners for our Slingo Originals content, we are experiencing our games being enjoyed on a global level.

"As we look ahead to 2023, the year is already off to an exciting start with 13 new launches implemented and new Slingo games, such as Slingo Cleopatra and Slingo Golden Envelope, already proving popular amongst fans. With our strong foundation built in 2022 already proving fruitful in 2023, we are excited to continue delivering further game launches, new partner deals and expanding our global footprint even further."

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

Enquiries

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About Gaming Realms

Gaming Realms creates and licenses innovative games for mobile, with operations in the UK, U.S., Canada and Malta. Through its unique IP and brands, Gaming Realms is bringing together media, entertainment and gaming assets in new game formats. The Gaming Realms management team includes accomplished entrepreneurs and experienced executives from a wide range of leading gaming and media companies.

Executive Chairman's Statement

I am delighted to report that 2022 was another year of profitable growth for the Company, with reported EBITDA growing by 34% to £7.8m (2021: £5.8m) before share option and related charges. The distribution of our content has continued to expand on a global level, strengthening our position as a leading supplier of games to the international regulated igaming market. Slingo has also cemented its position as a category in its own right, allowing us to partner with leading games and entertainment brands and immerse them into the Slingo format.

North America remains Gaming Realms' largest territory for content licensing, with revenues increasing 112% on the prior year, bolstered by launching in the newly regulated markets of Ontario and Connecticut. This now sees us represented in all five of the key igaming jurisdictions in the region. Importantly, we continued to grow in New Jersey, the first state we entered back in 2017, as well as build further market share in Michigan and Pennsylvania. We now have contracts in place with operators in the U.S. that represent 95% of the market.

Like North America, Europe is still seeing new countries open to the regulated igaming market. During 2022, we launched in Spain, Denmark and Belgium through our operating partners and are encouraged by the early success we are experiencing. Despite the UK being one of the more mature markets, we have continued to grow, with our new games proving very popular, whilst in Italy we have taken further market share.

During the year we strengthened the Company's board with the appointment of Anna Massion as a Non-Executive Director. Anna brings extensive experience as an investor and advisor to gaming companies and has also joined the Audit and Remuneration Committees. Since the year end, Mark Segal has become CEO (having previously been CFO), whilst Geoff Green has joined the Board and become CFO (having previously been Finance Director). Mark and Geoff have developed a strong working partnership in recent years, and we look forward to this continuing as the Company's growth continues.

It is important to highlight that the success we have achieved would not have happened without our fantastic staff. The Gaming Realms team has continued to demonstrate their outstanding commitment and creativity, and on behalf of the shareholders and the Board I would like to thank everyone for their endeavours throughout the year.

With a strong pipeline of new partnerships and games set to launch, the outlook for 2023 is encouraging as the Company continues to deliver on its proven strategy. It is highly likely that additional states within America will commence the process to regulate igaming within the next two years. This process, coupled with the development of other new markets, will lead to increased distribution of group products. Your Board views the future of the Company with optimism and confidence.

Michael Buckley
Executive Chairman

Chief Executive's Review

Introduction

The Group made strong progress during 2022, increasing revenues by 27% to £18.7m (2021: £14.7m), and EBITDA before share option and related charges by 34% to £7.8m (2021: £5.8m). We invested heavily in our proprietary Remote Game Server "RGS" platform and expanded into multiple regulated markets. We also increased our Slingo Originals game portfolio to 65 with the addition of 12 new games, as well as a series of bespoke branded games for our partners.

This strong performance resulted in revenue growth of 35% in our licensing business to £14.9m (2021: £11.1m) and we are continuing to see good momentum with increased international demand for our Slingo Originals portfolio. The combination of growing the distribution of our games via our RGS, close control of overheads and the operational leverage of the Group led to the licensing business achieving a 54% EBITDA margin.

Licensing business

The focus of the Group remains to deliver growth in its content licensing business. The continued expansion of our Slingo portfolio and growth in distribution through more operators in Europe and North America underpinned our performance throughout 2022. Content licensing revenues grew 57% in 2022 and we increased unique player numbers in the year by 19% to 4 million (2021: 3.36 million).

During the year, our library of proprietary games increased to 65 and we went live with 56 new partners, all of whom licensed the Company's Slingo Originals content. This illustrates the strong demand for our gaming content and our ability to offer something different to the rest of the market with our unique Slingo format.

Some of the most notable games released during the period included Slingo Shark Week with the Discovery Channel, a partnership which was later extended through the creation of Slingo Deadliest Catch, a tribute to one of Discovery's most successful TV productions. We also helped to capture the excitement of the World Cup with Slingoooal, which initially went live exclusively with its operator partners at Flutter Entertainment via Sky Betting & Gaming Vegas in November.

Slingo Rainbow Riches, based on the popular Rainbow Riches franchise, has been a substantial hit across our markets, and we were delighted to receive a nomination at the SBC CasinoBeats Game Developer Awards for this game. Later in the year, we were the proud winners of the 'Mobile Supplier of the Year' award at the Global B2B EGR Awards.

North America

As previously announced, we made further significant inroads into the regulated North American igaming market, adding Connecticut, Quebec and Ontario to territories we distribute our content. In Connecticut, which has only two operators, we entered the market with our partner DraftKings Inc., and our content will launch on FanDuel later this year.

With the Slingo brand already present in the Quebec lottery market, in March we launched on Loto-Québec, on its igaming platform, whilst in April we expanded our reach into Canada by going live in Ontario with Rush Street Interactive, Kindred and BetMGM.

Our performance in New Jersey, Michigan and Pennsylvania continues to be strong as we launch new exciting Slingo content and go live with new partners. In particular we have strong growth potential in Michigan and Pennsylvania, where we have 22 and 14 games live respectively, compared to the 59 games live in New Jersey.

Europe

At the start of the year, the Group entered the regulated Spanish market with long-term strategic partner Gamesys (now part of Bally's Corporation) under its Monopoly and Botamania brands and later launched with Yo Bingo (part of Rank Group).

In the first half of the year, the Slingo games portfolio went live with Lottomatica which is Italy's largest operator, and subsequently with Snaitech in the second half of the year. There was further progress in the Italian market with Slingo Davinci Diamonds going exclusively live with Sisal, one of the country's largest betting companies, whilst in the Netherlands we launched with partners Bingoal and Betnation. Other European expansion came in Denmark via Betsson, an existing partner, and in Belgium through a partnership deal with Napoleon.

In November, we successfully obtained our full gaming licence from the National Gambling Office in Romania. With this in place, we are now looking forward to launching more Slingo content in the country with additional operators whilst continuing to work with our current aggregation partners.

Social

Our social business remains an important way to bring the Slingo Games to a wider audience. Revenue from social increased by 3% to £3.7m (2021: £3.6m) whilst EBITDA grew to £1.5m (2021: £1.2m). Importantly, our social business continued to provide a positive cash contribution to the Group.

Post Period End and Outlook

We continue to deliver on the clear strategy set out and Gaming Realms continues to focus on the following areas:

- International expansion - particularly in the US and European regulated markets

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

Gaming Realms has seen this momentum continue into 2023, with excellent growth in the year to date, with revenues 53% up in the two months post year-end compared with the same period in 2022. Content licensing revenues have increased 59% in the same period. We have launched 3 games so far this year, including Slingo Cleopatra and have gone live with 13 new partners.

The Group has a strong pipeline of new opportunities in our current markets, in particular where we have recently launched. As a result, the Board expects to have another strong year in 2023.

Mark Segal
Chief Executive Officer

Financial Review

Overall, Gaming Realms had a very strong 2022. The Group's financial results for the year demonstrate the continued delivery of the Group's core strategy; scaling the licensing business through entry into new regulated jurisdictions and enhancing the unique Slingo games portfolio.

By the end of the year, the Group became debt free following the full repayment of the outstanding convertible loan balance to Gamesys Group (part of Bally's Corporation).

Performance
Group revenues increased 27% to £18.7m (2021: £14.7m), principally as a result of the continued growth in the licensing segment and in particular the content licensing business, supported by modest growth in social publishing revenues.

The Group generated EBITDA of £7.4m (2021: £5.1m) and £7.8m before share option and related charges (2021: £5.8m). The £2.3m growth in EBITDA generated compared with the prior year has seen the Group record a profit before tax of £3.5m (2021: £1.1m), an increase of £2.4m on the prior year.

Operating expenses are largely revenue related costs including license fees, hosting costs and platform provider fees. Total Group operating expenses were £3.9m, a 32% increase over the £2.9m in the prior year, driven by the growth in licensing segment revenues.

Administrative expenses increased to £6.9m (2021: £5.7m) predominantly due to increased staff costs in the licensing segment required to deliver the segments growth, along with other incremental business expansion costs.

Share option and related charges were £0.4m in 2022 (2021: £0.7m).

The following table sets out the split of revenue, EBITDA and profit before tax by segment, which is discussed further below.

2022	Licensing £	Social publishing £	Head Office £	Total £
Revenue	14,937,036	3,690,485	23,000	18,650,521
Other income	-	112,147	-	112,147
Marketing expense	(38,391)	(17,164)	(78,244)	(133,799)
Operating expense	(2,579,127)	(1,308,520)	-	(3,887,647)
Administrative expense	(4,176,964)	(1,001,569)	(1,764,925)	(6,943,458)
Share option and related charges	(149,753)	(1,666)	(200,307)	(351,726)
EBITDA	7,992,801	1,473,713	(2,020,476)	

EBITDA	[illegible]	[illegible]	[illegible]	7,446,038
Amortisation of intangible assets	(1,996,909)	(943,384)	(731,086)	(3,671,379)
Depreciation of property, plant and equipment	(60,215)	(59,822)	(138,478)	(258,515)
Finance expense	(10,087)	(11,239)	(372,716)	(394,042)
Finance income	26,658	-	375,000	401,658
Profit before tax	5,952,248	459,268	(2,887,756)	3,523,760

2021	Licensing £	Social publishing £	Head Office £	Total £
Revenue	11,100,085	3,567,616	-	14,667,701
Other income	-	130,878	-	130,878
Marketing expense	(20,348)	(282,579)	(76,303)	(379,230)
Operating expense	(1,645,538)	(1,301,320)	-	(2,946,858)
Administrative expense	(2,889,706)	(920,178)	(1,856,570)	(5,666,454)
Share option and related charges	(170,062)	(7,441)	(521,691)	(699,194)
EBITDA	6,374,431	1,186,976	(2,454,564)	5,106,843
Amortisation of intangible assets	(1,357,625)	(987,286)	(719,388)	(3,064,299)
Depreciation of property, plant and equipment	(26,475)	(47,717)	(142,642)	(216,834)
Impairment of goodwill	-	(73,677)	-	(73,677)
Finance expense	(7,353)	(20,005)	(662,577)	(689,935)
Finance income	26,496	-	-	26,496
Profit before tax	5,009,474	58,291	(3,979,171)	1,088,594

Licensing

Licensing segment revenues in total increased 35% to £14.9m (2021: £11.1m), which can be broken down as follows:

- Content licensing revenue growth of 57% to £14.3m (2021: £9.1m); and
- Brand licensing revenue falling 68% to £0.6m (2021: £2.0m).

The segment contributed £8.0m EBITDA in 2022 (2021: £6.4m).

The amortisation charge for the year increased to £2.0m (2021: £1.4m), reflecting the increased investment in development spend in the segment in recent years. The impact of the segments increase in EBITDA offset by the increase in amortisation, means the segment delivered a profit before tax of £6.0m (2021: £5.0m).

Content licensing

The core focus of the Group continues to be growing the content licensing business by way of expanding into new regulated territories, growing our unique Slingo games portfolio and developing deeper relationships with existing partners to maximise value and engagement.

During the year, the Group entered a further 6 regulated markets globally. In North America, the Group launched its content in the Canadian provinces of Ontario following the market opening, and Quebec in the first half of 2022, while launching in the U.S. state of Connecticut in the second half of the year, making it the fourth U.S. state where the Group is licensed. In Europe, the Group launched in the regulated markets of Spain, Denmark and Belgium during the year.

In total the Group went live with a further 56 partners during 2022. Of this, 17 of these new partners were within these newly entered regulated markets and 39 in existing markets in Europe and North America. A further 13 partners have gone live in 2023 to date.

The Group released 12 new Slingo games to the market during 2022, including Slingo Deadliest Catch and Slingo Da Vinci Diamonds, along with a series of bespoke Slingo branded games for our partners. Slingo continues to prove highly popular with our partners and players. Slingo is a unique genre of game in the market, which is driving engagement with partners.

The Group continues to identify and partner with leading brands in the industry that will complement the Slingo format and engage players. During the year we released new Slingo collaborations with key partners including Everi, Warner Discovery and IGT. A number of further agreements have been entered into to bring new Slingo collaborations to market in 2023, including Tetris and Money Train.

Revenues from North America continued to grow in prominence for the content licensing business. Revenue from these markets in 2022 was £6.4m, a 112% increase on the £3.0m in the prior year. The region now represents 45% of total content licensing revenues (2021: 33%). We anticipate this will increase further in 2023 with a full year of trading in Ontario, Quebec and Connecticut, along with further penetration in existing North American markets.

The operational leverage of the content licensing business has meant that total segmental expenses (excluding share option and related charges) increased by 49% to £6.8m (2021: £4.6m), a lower rate than the 57% which content licensing revenues increased over the prior year.

Brand licensing

The fall in brand licensing revenues in 2022 compared with the prior year is predominantly the result of a significant deal completed in the prior year.

The Group's Slingo brand is well-known by consumers, which allows us to license this brand into adjacent markets where the right opportunities arise, such as physical and digital lottery scratch games.

Social publishing

The Group's social publishing business reported a 3% increase in revenues to £3.7m (2021: £3.6m), despite a 94% reduction in segmental marketing expenses in the year to £0.02m (2021: £0.3m).

Operational costs, which are largely driven by revenues, increased by 1% from the previous year to £1.3m (2021: £1.3m).

The 9% increase in segmental administrative expenses is due to continued investment in the development and operational team, with the segment continuing to have a stable underlying fixed cost base. Excluding staff costs, segmental administrative expenses remained stable with the prior year, increasing by 1%.

As a result, the segment delivered £1.5m EBITDA for the year, a 24% increase on the £1.2m in 2021.

The amortisation charge related to the social publishing segment for the year was £0.9m, a 4% reduction on the prior year (2021: £1.0m). The growth in the segment's EBITDA has therefore seen the social publishing business deliver profit before tax of £0.5m (2021: 0.1m).

Cashflow and Balance Sheet

The Group's cash balance decreased by £1.5m in 2022 (2021: increased by £2.3m) to £2.9m at 31 December 2022 (2021: £4.4m).

In December 2022, the Group paid Gamesys Group £3.4m as full repayment of the convertible loan and related charges, leaving the Group debt free. Excluding this debt repayment, the Group would have reported a £1.9m increase in its cash balance in 2022.

The Group capitalised £4.0m (2021: £3.4m) into intangible assets as development costs during the year. This £0.6m increase over the prior year represents an increase in investment in both the licensing and social publishing segments. This investment is to both expand the Group's unique game portfolio across both segments and develop the Group's proprietary RGS platform with enhanced capabilities, scale and features.

Aside from the £3.4m debt repayment and £4.0m development costs capitalised in the year discussed above, the remaining movement in cash is substantially explained by the £6.5m (2021: £5.0m) cash inflow from operating activities. A reconciliation between profit for the year and cash from operating activities is provided below.

	2022	2021

	£	£
Cash flows from operating activities		
Profit for the financial year	**3,614,115**	1,254,152
Adjustments for:		
Depreciation of property, plant and equipment	**258,515**	216,834
Loss on disposal of property, plant and equipment	**-**	2,125
Loss on disposal of intangible assets	**-**	(2,004)
Impairment of goodwill	**-**	73,677
Amortisation of intangible fixed assets	**3,671,379**	3,064,299
Other income	**(112,147)**	(130,878)
Other income received during the year	**121,962**	117,591
Finance income	**(401,658)**	(26,496)
Finance expense	**394,042**	689,935
Tax credit	**(90,355)**	(165,558)
Exchange differences	**54,013**	22,374
Share based payment expense	**438,868**	466,254
Increase in trade and other receivables	**(1,973,278)**	(745,778)
Increase in trade and other payables	**607,560**	208,400
Decrease in other assets	**11,848**	-
Net cash flows from operating activities before taxation	**6,594,864**	5,044,927
Net tax paid in the year	**(45,213)**	(77,152)
Net cash flows from operating activities	**6,549,651**	4,967,775

Net assets totaled £17.9m (2021: £13.1m).

There has been a £2.1m increase in the trade and other receivables balance, which is a result of the £2.1m increase in trade receivables. This increase is a result of the revenue growth from the prior year along with the timing of invoicing and cash collection around the year-end. No impairment provision has been recorded from the Group's expected credit loss assessment on these receivables.

Going concern

In adopting the going concern basis of preparation in the financial statements, the Directors have performed both qualitative and quantitative assessments of the associated risks facing the business and its ability to meet its short and medium-term forecasts. The forecasts were subject to stress testing to analyse the reduction in forecast cash flows required to bring about insolvency of the Company unless capital was raised. In such cases it is anticipated that mitigation actions, such as reduction in overheads could be implemented to stall such an outcome.

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

Dividend

During the year, Gaming Realms did not pay an interim or final dividend. The Board of Directors are not proposing a final dividend for the current year as we continue to execute our strategy and invest in the growth of the business.

Corporation and deferred taxation

The current year tax credit of £0.1m (2021: £0.2m) largely relates to the recognition of a £0.3m deferred tax asset, £0.3m corporation tax charge in overseas jurisdictions (2021: £0.05m) and the unwind of deferred tax of £0.1m (2021: £0.1m) which arose on prior year business combinations.

Geoff Green

Chief Financial Officer

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022	2021 *
	£	£
Revenue	**18.650.521**	14.667.701

Other income	**112,147**	130,878
Marketing expenses	**(133,799)**	(379,230)
Operating expenses	**(3,887,647)**	(2,946,858)
Administrative expenses	**(6,943,458)**	(5,666,454)
Share option and related charges	**(351,726)**	(699,194)
EBITDA	**7,446,038**	5,106,843
Amortisation of intangible assets	**(3,671,379)**	(3,064,299)
Depreciation of property, plant and equipment	**(258,515)**	(216,834)
Impairment of goodwill	**-**	(73,677)
Finance expense	**(394,042)**	(689,935)
Finance income	**401,658**	26,496
Profit before tax	**3,523,760**	1,088,594
Tax credit	**90,355**	165,558
Profit for the financial year	**3,614,115**	1,254,152
Other comprehensive income		
Items that will or may be reclassified to profit or loss:		
Exchange gain arising on translation of foreign operations	**131,432**	39,153
Total other comprehensive income	**131,432**	39,153
Total comprehensive income	**3,745,547**	1,293,305
Profit attributable to:		
Owners of the parent	**3,614,115**	1,257,698
Non-controlling interest	**-**	(3,546)
	3,614,115	1,254,152
Total comprehensive income attributable to:		
Owners of the parent	**3,745,547**	1,296,851
Non-controlling interest	**-**	(3,546)
	3,745,547	1,293,305
Earnings per share	**Pence**	Pence
Basic	**1.24**	0.44
Diluted	**1.21**	0.42

* Comparative numbers for the year ended 31 December 2021 have been restated. See Note 1 for further details.

** EBITDA is a non-GAAP measure used to represent the trading performance and results of the Group. EBITDA is defined as profit before tax adjusted for finance income and expense, depreciation and amortisation.

Consolidated Statement of Financial Position

As at 31 December 2022

	31 December 2022 £	31 December 2021 £
Non-current assets		
Intangible assets	**12,422,852**	11,815,598
Property, plant and equipment	**535,409**	484,578
Deferred tax asset	**287,407**	-
Other assets	**138,798**	150,646
	13,384,466	12,450,822
Current assets		
Trade and other receivables	**5,336,330**	3,260,687
Cash and cash equivalents	**2,922,775**	4,412,375
	8,259,105	7,673,062
Total assets	**21,643,571**	20,123,884
Current liabilities		
Trade and other payables	**3,270,319**	2,241,114

Lease liabilities	**217,731**	172,887
Other Creditors	**-**	3,489,278
Derivative liabilities	**-**	744,000
	3,488,050	6,647,279
Non-current liabilities		
Deferred tax liability	**75,592**	199,876
Lease liabilities	**167,680**	168,227
	243,272	368,103
Total liabilities	**3,731,322**	7,015,382
Net assets	**17,912,249**	13,108,502
Equity		
Share capital	**29,200,676**	28,970,262
Share premium	**87,653,774**	87,370,856
Merger reserve	**(67,673,657)**	(67,673,657)
Foreign exchange reserve	**1,549,701**	1,418,269
Retained earnings	**(32,818,245)**	(36,977,228)
Total equity	**17,912,249**	13,108,502

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022	2021
	£	£
Cash flows from operating activities		
Profit for the financial year	**3,614,115**	1,254,152
Adjustments for:		
Depreciation of property, plant and equipment	**258,515**	216,834
Loss on disposal of property, plant and equipment	**-**	2,125
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Net tax paid in the year	**(45,213)**	(77,152)
Net cash flows from operating activities	**6,549,651**	4,967,775
Investing activities		
Acquisition of property, plant and equipment	**(124,104)**	(141,546)
Acquisition of intangible assets	**(125,684)**	(323,608)
Capitalised development costs	**(4,009,171)**	(3,435,308)
Disposal of other investments	**-**	362,436
Interest received	**-**	145
Finance lease asset - sublease receipts	**-**	146,505
Net cash used in investing activities	**(4,258,959)**	(3,391,376)
Financing activities		
Receipt of deferred consideration	**-**	972,554
Repayment of convertible loan and additional charges	**(3,375,000)**	-
Principal paid on lease liability	**(163,638)**	(388,494)
Issue of share capital on exercise of options	**13,332**	418,221
Interest paid	**(186,880)**	(215,169)
Net cash (used in) / from financing activities	**(3,712,186)**	787,112
Net (decrease) / increase in cash and cash equivalents	**(1,421,494)**	2,363,511
Cash and cash equivalents at beginning of year	**4,412,375**	2,086,785
Exchange loss on cash and cash equivalents	**(68,106)**	(37,921)
Cash and cash equivalents at end of year	**2,922,775**	4,412,375

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital £	Share premium £	Merger reserve £	Foreign Exchange Reserve £	Retained earnings £	Tot eq holder pare
1 January 2021	**28,664,731**	**87,258,166**	**(67,673,657)**	**1,379,116**	**(38,768,257)**	**10,860**
Profit for the year	-	-	-	-	1,257,698	1,257
Other comprehensive income	-	-	-	39,153	-	39
Total comprehensive income for the year	-	-	-	39,153	1,257,698	1,296
Contributions by and distributions to owners						
Share-based payment on share options	-	-	-	-	466,254	466
Exercise of options	305,531	112,690	-	-	-	418
Recycling of non-controlling interest	-	-	-	-	67,077	67
31 December 2021	**28,970,262**	**87,370,856**	**(67,673,657)**	**1,418,269**	**(36,977,228)**	**13,108**

	Share capital £	Share premium £	Merger reserve £	Foreign Exchange Reserve £	Retained earnings £	Tot eq holder pare
1 January 2022	**28,970,262**	**87,370,856**	**(67,673,657)**	**1,418,269**	**(36,977,228)**	**13,108**
Profit for the year	-	-	-	-	3,614,115	3,614
Other comprehensive income	-	-	-	131,432	-	131
Total comprehensive income for the year	-	-	-	131,432	3,614,115	3,745
Contributions by and distributions to owners						
Share-based payment on share options	-	-	-	-	438,868	438
Exercise of options	13,332	-	-	-	-	13
Conversion of loan	217,082	282,918	-	-	106,000	606
31 December 2022	**29,200,676**	**87,653,774**	**(67,673,657)**	**1,549,701**	**(32,818,245)**	**17,912**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. ACCOUNTING POLICIES

General information

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

The Company is admitted to trading on the Alternative Investment Market (AIM) of the London Stock Exchange. It is incorporated and domiciled in the UK. The address of its registered office is Two Valentine Place, London, SE1 8QH.

The consolidated financial statements are presented in British Pounds Sterling.

Basis of preparation

The Group financial statements have been prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

The Group financial statements have been prepared on the historical cost basis, except where certain assets or liabilities are held at amortised cost or at fair value as described in the accounting policies below.

Restatement of comparatives

Management have reviewed the classification of certain items included the comparative statement of comprehensive income for the year ended 31 December 2021 and made the following restatements:

- Management believes the presentation of hosting costs as an operating expense rather than an administrative expense more accurately reflects the function of the expense. Therefore £744,539 of hosting costs incurred in the comparative year have been reclassified from administrative expenses to operating expenses. This reclassification has no impact on reported EBITDA, profit before tax or net assets for the comparative year.

- The Group receives a research and development tax credit in the Canadian province of British Columbia, in respect of its social segment development activities performed there. In the comparative year, the research and development tax credit of £130,878 was presented within the tax credit in the consolidated statement of comprehensive income, which has been reclassified and presented as other income. This restatement increases the comparative years EBITDA from £4,975,965 as previously reported, to £5,106,843, and increases profit before tax from £957,716 as previously reported to £1,088,594. There is no change in profit for the year or net assets as a result of this reclassification.

Going concern

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

The Group prepares cash flow forecasts and re-forecasts at least bi-annually as part of the business planning process. The Directors have reviewed forecast cash flows for the period to December 2025 and consider that the Group will have sufficient cash resources available to meet its liabilities as they fall due for at least the forthcoming 12 months from the date of the approval of the financial statements.

Given the various macro-economic uncertainties such as inflation, recession fears and the war in Ukraine, these cash flow forecasts have been subject to short- and medium-term stress testing, scenario modelling and sensitivity analysis through to June 2024, which the Directors consider sufficiently robust. Scenarios considered include but are not limited to; failure to expand into planned new regulated jurisdictions during the forecast period and a significant reduction in trading cash flows compared to Group forecasts. The Directors note that in an extreme scenario, the Group also has the option to rationalise its cost base including cuts to discretionary capital, marketing and overhead expenditure. The Directors consider that the required level of change to the Group's forecast cash flows to give a rise to a material risk over going concern are sufficiently remote.

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

Adoption of new and revised standards

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

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

These amendments did not have a material impact on the Group.

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

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

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

The following amendments are effective for the period beginning 1 January 2024:

- IFRS 16 Leases (Amendment - Liability in a Sale and Leaseback);

- IFRS 16 Leases (Amendment - Liability in a Sale and Leaseback);
- IAS 1 Presentation of Financial Statements (Amendment - Classification of Liabilities as Current or Non-current); and
- IAS 1 Presentation of Financial Statements (Amendment - Non-current Liabilities with Covenants).

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not expect any of the standards or amendments issued by the IASB, but not yet effective, to have a material impact on the Group.

Business combinations

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

2. SEGMENT INFORMATION

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

The Group has 2 reportable operating segments:

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

2022	**Licensing £**	**Social publishing £**	**Head Office £**	**Total £**
Revenue	**14,937,036**	**3,690,485**	**23,000**	**18,650,521**
Other income	**-**	**112,147**	**-**	**112,147**
Marketing expense	**(38,391)**	**(17,164)**	**(78,244)**	**(133,799)**
Operating expense	**(2,579,127)**	**(1,308,520)**	**-**	**(3,887,647)**
Administrative expense	**(4,176,964)**	**(1,001,569)**	**(1,764,925)**	**(6,943,458)**
Share option and related charges	**(149,753)**	**(1,666)**	**(200,307)**	**(351,726)**
EBITDA	**7,992,801**	**1,473,713**	**(2,020,476)**	**7,446,038**
Amortisation of intangible assets	**(1,996,909)**	**(943,384)**	**(731,086)**	**(3,671,379)**
Depreciation of property, plant and equipment	**(60,215)**	**(59,822)**	**(138,478)**	**(258,515)**
Finance expense	**(10,087)**	**(11,239)**	**(372,716)**	**(394,042)**
Finance income	**26,658**	**-**	**375,000**	**401,658**
Profit before tax	**5,952,248**	**459,268**	**(2,887,756)**	**3,523,760**

2021	Licensing £	Social publishing £	Head Office £	Total £
Revenue	11,100,085	3,567,616	-	14,667,701
Other income	-	130,878	-	130,878
Marketing expense	(20,348)	(282,579)	(76,303)	(379,230)
Operating expense	(1,645,538)	(1,301,320)	-	(2,946,858)
Administrative expense	(2,889,706)	(920,178)	(1,856,570)	(5,666,454)
Share option and related charges	(170,062)	(7,441)	(521,691)	(699,194)

EBITDA	6,374,431	1,186,976	(2,454,564)	5,106,843
Amortisation of intangible assets	(1,357,625)	(987,286)	(719,388)	(3,064,299)
Depreciation of property, plant and equipment	(26,475)	(47,717)	(142,642)	(216,834)
Impairment of goodwill	-	(73,677)	-	(73,677)
Finance expense	(7,353)	(20,005)	(662,577)	(689,935)
Finance income	26,496	-	-	26,496
Profit before tax	5,009,474	58,291	(3,979,171)	1,088,594

3. FINANCE INCOME AND EXPENSE

	2022	2021
	£	£
Finance income		
Interest received	**-**	145
Net release of derivative liability on non-conversion of loan	**375,000**	-
Interest income on unwind of deferred income	**26,658**	19,087
Interest income on unwind of finance lease asset	**-**	7,264
Total finance income	**401,658**	26,496
Finance expense		
Bank interest paid	**20,445**	20,238
Fair value loss on other investments	**-**	38,855
Fair value movement on derivative liability	**112,000**	117,000
Effective interest on other creditor	**237,157**	468,339
Interest expense on lease liability	**24,440**	45,503
Total finance expense	**394,042**	689,935

4. TAXATION

	2022	2021
	£	£
Current tax		
Current tax (charge) / credit	**(312,922)**	38,310
Adjustment for current tax of prior periods	**(8,414)**	4,952
Total current tax	**(321,336)**	43,262
Deferred tax		
Recognition of deferred tax asset	**287,407**	-
Unwind of deferred tax	**124,284**	122,296
Total deferred tax credit	**411,691**	122,296
Total tax credit	**90,355**	165,558

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

	2022	2021
	£	£
Profit before tax for the year	**3,523,760**	1,088,594
Expected tax at effective rate of corporation tax in the UK of 19.0% (2021: 19.0%)	**669,514**	206,833
Expenses not deductible for tax purposes	**141,812**	274,425

Income not chargeable for tax purposes	**(71,278)**	(24,867)
Effects of overseas taxation	**(93,850)**	(38,310)
Adjustment for tax in respect of prior periods	**8,414**	(4,952)
Research and development tax credit	**(131,100)**	-
Movement in deferred tax not previously recognised	**(326,460)**	(578,687)
Recognition of deferred tax asset	**(287,407)**	-
	(90,355)	(165,558)

5. EARNINGS PER SHARE

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

	2022	2021
	£	£
Profit after tax attributable to the owners of the parent Company	**3,614,115**	1,257,698
	Number	Number
Denominator - basic		
Weighted average number of ordinary shares	**291,655,659**	288,496,688
Denominator - diluted		
Weighted average number of ordinary shares	**291,655,659**	288,496,688
Weighted average number of option shares	**7,057,892**	13,140,665
Weighted average number of shares	**298,713,551**	301,637,353
	Pence	Pence
Basic earnings per share	**1.24**	0.44
Diluted earnings per share	**1.21**	0.42

6. INTANGIBLE ASSETS

	Goodwill	**Customer database**	**Software**	**Development costs**	**Licenses**	**Domain names**	**Intellectual Property**	**Total**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Cost								
At 1 January 2021	6,697,219	1,475,650	1,384,223	14,232,892	-	8,785	5,786,179	29,584,948
Additions	-	-	76,286	3,435,308	247,322	-	-	3,758,916
Disposals	(73,677)	-	(212,215)	(198,043)	-	-	-	(483,935)
Exchange differences	50,382	14,886	14,122	-	-	89	58,568	138,047
At 31 December 2021	6,673,924	1,490,536	1,262,416	17,470,157	247,322	8,874	5,844,747	32,997,976
Additions	-	-	54,229	4,009,171	71,455	-	-	4,134,855
Disposals	-	-	-	-	-	-	-	-
Exchange differences	125,326	-	-	14,086	694	-	-	140,106
At 31 December 2022	**6,799,250**	**1,490,536**	**1,316,645**	**21,493,414**	**319,471**	**8,874**	**5,844,747**	**37,272,937**
Accumulated amortisation and impairment								
At 1 January 2021	1,650,000	1,475,650	1,384,223	10,030,745	-	8,785	3,898,422	18,447,825
Amortisation charge	-	-	31,978	2,269,464	43,469	-	719,388	3,064,299
Impairment	73,677	-	-	-	-	-	-	73,677
Disposals	(73,677)	-	(212,215)	(200,047)	-	-	-	(485,939)
Exchange differences	-	14,886	14,122	2,227	-	89	51,192	82,516
At 31 December								

At 31 December 2021	1,650,000	1,490,536	1,218,108	12,102,389	43,469	8,874	4,669,002	21,182,378
Amortisation charge	-	-	73,177	2,781,155	85,961	-	731,086	3,671,379
Disposals	-	-	-	-	-	-	-	-
Exchange differences	-	-	-	(3,672)	-	-	-	(3,672)
At 31 December 2022	**1,650,000**	**1,490,536**	**1,291,285**	**14,879,872**	**129,430**	**8,874**	**5,400,088**	**24,850,085**
Net book value								
At 31 December 2021	5,023,924	-	44,308	5,367,768	203,853	-	1,175,745	11,815,598
At 31 December 2022	**5,149,250**	**-**	**25,360**	**6,613,542**	**190,041**	**-**	**444,659**	**12,422,852**

7. ARRANGEMENT WITH GAMESYS GROUP PLC

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

The convertible loan had a duration of 5 years and carried interest at 3-month LIBOR plus 5.5%, which was later updated to a fixed 5.75% following the cessation of LIBOR on 31 December 2021. It was secured over the Group's Slingo assets and business. At any time after the first year, Gamesys Group plc could have elected to convert all or part of the principal amount into ordinary shares of Gaming Realms plc at a discount of 20% to the share price prevailing at the time of conversion. To the extent that the price per share at conversion was lower than 10p (nominal value), then the shares could have been converted at nominal value with a cash payment equal to the aggregate value of the convertible loan outstanding multiplied by the shortfall on nominal value payable to Gamesys Group plc. Under this arrangement, the maximum dilution to Gaming Realms shareholders would have been approximately 11%, assuming the convertible loan is converted in full.

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

The fair value of the conversion feature was determined at each reporting date with changes recognised in profit or loss. The initial fair value was £0.6m based on a probability assessment of conversion and future share price. This is a level 3 valuation as defined by IFRS 13.

The initial fair value of the host debt was calculated as £2.7m, being the present value of expected future cash outflows. The initial rate used to discount future cashflows was 14.1%, being the Group's incremental borrowing rate. This rate was calculated by reference to the Group's cost of equity in the absence of reliable alternative evidence of the Group's cost of borrowing given it is predominantly equity funded. Expected cashflows are based on directors' judgement that a change in control event would not occur. Subsequently the loan is carried at amortised cost. The residual £0.2m of proceeds were allocated to the obligation to provide free services.

On 23 February 2022, Bally's Corporation (owner of Gamesys Group) exercised their option to convert £500,000 of the £3,500,000 convertible loan into Gaming Realms plc ordinary shares. The issue of 2,170,817 new ordinary shares to satisfy the conversion resulted in an increase in share capital of £217,082 and share premium of £282,918. As a result of the conversion, a £106,000 reclassification from the derivative liability into retained earnings was made, being 14.29% (the portion of the total loan converted) of the derivative liability held at the time of conversion.

On 9 December 2022, the Group paid Gamesys Group a sum of £3,375,000 as full repayment of the remaining £3,000,000 principal loan balance plus related charges.

Prior to repayment, the fair value of the conversion feature was assessed to be £750,000 (31 December 2021: £744,000) based on revised probabilities of when and if the option would be exercised, with the £112,000 increase recorded as a finance expense. The key inputs into the valuation model included timing of exercise by the counterparty (based on a probability assessment) and the share price.

Following repayment of the loan, the derivative liability balance held of £750,000, less £375,000 of repayment charges included in the above £3,375,000 final payment was released to the income statement as finance income.

	Fair value of debt host	Obligation to provide free services	Fair value of derivative Liability	Total
	£	£	£	£
At 1 January 2021	3,155,870	149,000	627,000	3,931,870
Utilisation of free services	-	(89,000)	-	(89,000)
Effective interest	468,339	-	-	468,339
Interest paid	(194,931)	-	-	(194,931)
Change in fair value	-	-	117,000	117,000
At 31 December 2021	3,429,278	60,000	744,000	4,233,278
At 1 January 2022	3,429,278	60,000	744,000	4,233,278
Utilisation of free services	-	(60,000)	-	(60,000)
Effective interest	237,157	-	-	237,157
Interest paid	(166,435)	-	-	(166,435)
Partial conversion of loan	(500,000)	-	(106,000)	(606,000)
Change in fair value	-	-	112,000	112,000
Repayment of loan	(3,000,000)	-	(750,000)	(3,750,000)
At 31 December 2022	**-**	**-**	**-**	**-**

8. SHARE CAPITAL

Ordinary shares

	2022	**2022**	2021	2021
	Number	**£**	Number	£
Ordinary shares of 10 pence each	**292,006,775**	**29,200,676**	289,702,626	28,970,262

The increase of 2,304,149 ordinary shares relates to (i) the exercise of share options during the year, and (ii) the partial conversion of the convertible loan. The changes in share capital and share premium as a result of these events is shown below.

	Share capital	Share premium
	£	£
At 1 January 2021	28,664,731	87,258,166
Exercise of share options	305,531	112,690
At 31 December 2021	28,970,262	87,370,856
Exercise of share options	13,332	-
Conversion of loan	217,082	282,918
At 31 December 2022	**29,200,676**	**87,653,774**

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