

Faro Entertainment N.V.
Curaçao

Annual report 2022



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1. Report

1.1 General

Faro Entertainment N.V. (hereinafter: "the Company") was incorporated on December 15th, 2016 and is established in Curaçao.

Reporting period

These annual accounts have been prepared for the financial year ended on 31 December 2022.

Activities

The activities of the Company, having its legal seat at Curaçao, primarily consist of:

Managing and supporting gaming platforms for remote gaming, including software and hardware components of such platforms, whether for casino, poker or other games, whether to be operated through internet, mobile or interactive media.

To the board of directors and the shareholders of
Faro Entertainment N.V.
Curaçao

COMPILATION REPORT

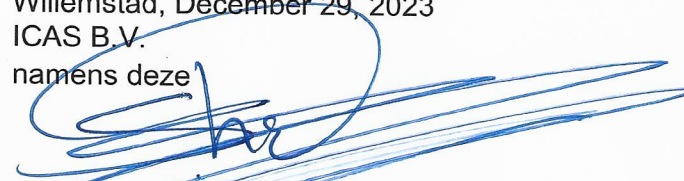
The financial statements of Faro Entertainment N.V. based in Curaçao have been compiled by us using the information provided by you. The financial statements comprise the balance sheet as at 31 December 2022 and the profit and loss account for the year 2022 with the accompanying explanatory notes. These notes include a summary of the accounting policies which have been applied.

This compilation engagement has been performed by us in accordance with Curaçao law, including the Dutch Standard 4410, 'Compilation engagements', which is applicable to accountants. The standard requires us to assist you in the preparation and presentation of the financial statements in accordance with Part 9 of Book 2 of the Curaçao Civil Code. To this end we have applied our professional expertise in accounting and financial reporting.

In a compilation engagement, you are responsible for ensuring that you provide us with all relevant information and that this information is correct. Therefore, we have conducted our work, in accordance with the applicable regulations, on the assumption that you have fulfilled your responsibility. To conclude our work, we have read the financial statements as a whole to consider whether the financial statements as presented correspond with our understanding Faro Entertainment N.V. We have not performed any audit or review procedures which would enable us to express an opinion or a conclusion as to the fair presentation of the financial statements.

During this engagement we have complied with the relevant ethical requirements prescribed by the 'Verordening Gedrags- en Beroepsregels Accountants' (VGBA, Dutch Code of Ethics). You and other users of these financial statements may therefore assume that we have conducted the engagement in a professional, competent and objective manner and with due care and integrity and that we will treat all information provided to us as confidential.

Willemstad, December 29, 2023
ICAS B.V.
namens deze



Magdi Shaker M.Sc RA
Ref.: 22S231229/MS/FE

2. Financial statements

2.1 Balance sheet as at 31 December 2022*(After proposal result)*

			31-Dec-22		31-Dec-21
			EUR		EUR
Assets					
Financial assets					
Investment in subsidiaries	1	153,610		1	
Loans Faro Entertainment Europe Ltd	2	13,081,918		5,537,603	
			13,235,528		5,537,604
Current assets					
C/A Faro Entertainment Europe Ltd.	3	7,424,642		17,170,123	
Loan receivable	4	502,544		480,043	
Cash and cash equivalents	5	113,835		488,017	
			8,041,021		18,138,183
Total assets			<u>21,276,549</u>		<u>23,675,787</u>
Liabilities					
Shareholders equity					
Share capital	6	1,000		1,000	
Adjustment previous years		(2,399)		(6,226)	
Dividend distribution		(8,600,000)		(35,628,582)	
Retained earnings		12,221,337		13,927,101	
Result for the year		10,053,599		33,929,044	
			13,673,537		12,222,337
Current liabilities					
C/A shareholder		2,700,000		1,904,250	
Other payables and accrued expenses	7	4,903,012		9,549,200	
			7,603,012		11,453,450
Total equity & liabilities			<u>21,276,549</u>		<u>23,675,787</u>

2.2 Statement of income and expenses for the year 2022

		2022	2021
		EUR	EUR
Turnover	8	60,510,235	100,314,918
Direct costs	9	51,254,199	64,652,718
Gross margin		9,256,036	35,662,200
IT and other operating expenses	10	315,147	125,509
Administrative expenses	11	723,691	1,996,816
		(1,038,838)	(2,122,325)
Operating result		8,217,198	33,539,875
Financial result (loss)	12	1,971,614	443,778
Result before tax		10,188,812	33,983,653
Tax		(135,213)	(54,609)
Net result for the period		10,053,599	33,929,044

2.3 Notes to the financial statements

General

The financial statements are prepared according to the stipulations in chapter 9 Book 2 of the Curaçao Civil Code and accounting principles generally accepted in the Netherlands.

Income and expenses are accounted for on accrual basis. Profit is only included when realized on balance sheet date. Liabilities and any losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Continuity

These financial statements have been prepared based on going concerns basis. The going concern basis of presentation assumes that the company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Management is of the opinion, that the company's shareholders or other group companies will give the necessary support in case the assumption above mentioned is not realized. Consequently the Company has applied accounting principles based on going concerns.

Translation of foreign currency

Receivables, liabilities and obligations denominated in foreign currency are translated at the exchange rates prevailing at balance sheet date.

Transactions in foreign currency during the financial year are recognized in the financial statements at the exchange rates prevailing at transaction date. The exchange differences resulting from the translation as at balance sheet date, taking into account possible hedge transactions, are recorded in the profit and loss account.

Accounting policies in respect of the valuation of assets and liabilities

General

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention, unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are valued according to the cost model.

Financial fixed assets

Where significant influence is exercised, associated companies are valued under the net asset value method, but not lower than a nil value. This net asset value is based on the same accounting principles as applied by the Company.

Associated companies with negative net equity value are valued at nil. If the Company fully or partly guarantees the liabilities of the associated company concerned, or has the effective obligation respectively to enable the associated company to pay its (share of the) liabilities, a provision formed. Upon determining this provision, provisions for doubtful debts already deducted from receivables from associated company are taken into account.

Where no significant influence is exercised associated companies are valued at cost and if applicable less impairments in value.

Accounts receivable

Upon initial recognition the receivables are valued at fair value and then valued at amortized cost. The fair value and amortized cost equal the face value. Provisions deemed necessary for possible bad debt losses are deducted. These provisions are determined by individual assessment of the receivables.

Equity

Financial instruments are classified as equity, if they have the substance of equity instruments; the legal form is of no consequence.

Current liabilities

Upon initial recognition, current liabilities are stated at fair value and then valued at amortized cost.

Accounting policies in respect of determination

Turnover

Turnover represents amounts invoiced for goods and services supplied during the financial year reported on, net of discounts and value added taxes. Revenues from services are recognized in proportion to the services rendered. The cost price of these services is allocated to the same period.

Other operating expenses

Costs are taken into account under the historical cost convention and allocated to the period concerned.

Net financial result

Interest income and expenses consist of interest received from or paid to third parties.

Taxation

Corporate income tax is calculated at the applicable rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes, and with which deferred tax assets (if applicable) are only valued insofar as their realization is likely.

2.4 Notes to the balance sheet

1. Investment in subsidiaries

The Company is holder of 1,250 ordinary shares of nominal value EUR 1 each in the share capital of Faro Entertainment Europe Ltd, incorporated on February 2nd 2017. Twenty percent (20%) of the shares have been paid up. Faro Entertainment Europe Ltd. is register at 35, Room 1A, Salvu Psaila Street Birkirkara Malta, BKR9072.

	31-Dec-22 EUR	31-Dec-21 EUR
Beginning balance (share capital)	1	250
Share capital	1,000	-
Provision subsidiary	-	130,065
Adjustment subsidiary previous years	11,383	6,674
Result for the year	141,226	(136,988)
	<u>153,610</u>	<u>1</u>

2. Loans Faro Entertainment Europe Ltd

This loan receivable also represents a loan to Faro Entertainment Europe Limited for the total amount of Eur 12,300,000 repayable in 3 (three) years. The loan shall bear interest at the rate of 5% per annum. The accumulated interest receivable as per December 31, 2022 amounts to Eur 781,378.

3. C/A Faro Entertainment Europe Ltd.

The current account with Faro Entertainment Europe Ltd. consists mainly of payments made by and to the company by its shareholder according to the agency Agreement dated November 17, 2017 and the Service Provider Agreement dated March 22, 2017.

4. Loan receivable

This loan receivable also represents a loan to Bastra Holding Limited for the total amount of Eur 200,000 repayable in 3 (three) years. The loan shall bear interest at the rate of 5% per annum. The accumulated interest receivable as per December 31, 2022 amounts to Eur 16,483.

This loan receivable also represents a loan to Rednines Gaming Limited for the total amount of Eur 250,000 repayable in 3 (three) years. The loan shall bear interest at the rate of 5% per annum. The interest receivable as per December 31, 2022 amounts to Eur 36,062.

	31-Dec-22 EUR	31-Dec-21 EUR
5. Cash and cash equivalents		
Payment Execution	107,123	411,749
Migom Bank	1,908	72,981
Skrill	4,804	3,287
	<u>113,835</u>	<u>488,017</u>

6. Shareholders equity

The capital of the company consists of 1,000 shares with a nominal value of EUR 1 each.

Movements in equity were as follows:

	Issued Share capital	Retained earnings	Total
	EUR	EUR	EUR
Balance as at January 1 st	1,000	12,221,337	12,222,337
Adjustment previous year		(2,399)	(2,399)
Dividend distribution		(8,600,000)	(8,600,000)
Result for the year	-	10,053,599	10,053,599
			-
Balance as at August 31 st	1,000	13,672,537	13,673,537

	31-Dec-22 EUR	31-Dec-21 EUR
7. Other payables and accrued expenses		
Trade creditors	4,711,990	9,478,055
Profit tax previous year	65,935	6,226
Profit tax payable	123,887	54,609
Accrued expenses	1,200	10,310
	<u>4,903,012</u>	<u>9,549,200</u>

2.5 Notes to the statement of income and expenses

	2022 EUR	2021 EUR
8. Turnover		
Gaming revenue	114,303,077	140,959,423
Chargebacks and refunds	-	(76,714)
Withdrawals	(53,792,842)	(40,567,791)
	<u>60,510,235</u>	<u>100,314,918</u>
9. Direct costs		
Consulting services	1,642,078	1,427,464
Agency services	120,000	78,000
Data processing fees	11,953,593	3,225,266
License fees	-	25,491
Software license fees	14,867,412	14,554,854
Commission /merchant fees	-	13,314,744
Marketing, promo & advertising expenses	22,671,116	32,026,899
	<u>51,254,199</u>	<u>64,652,718</u>
10. IT and other operating expenses		
IP licensing and compliance	9,939	58,037
ICT maintenance & support	305,208	67,472
	<u>315,147</u>	<u>125,509</u>
11. Administrative expenses		
Notary expenses	1,750	1,400
Compliance expense	4,011	-
Operating expense	-	1,371,155
Translation expense	191,487	169,783
Professional expense	108,876	44,087
Accountancy	703	3,073
Tax services	5,560	300
Bankcharges	404,422	393,588
Corporate services	3,834	9,571
Courier expense	-	457
Other General expense	478	847
Chamber of commerce	120	105
Standard management disbursement	2,150	2,150
License fees National Bank	50	50
Domiciliation & compliance fee	250	250
	<u>723,691</u>	<u>1,996,816</u>
12. Financial result (loss)		
Interest income	(566,815)	(251,241)
Other operating income	(1,509,121)	-
Exchange difference	256,931	(192,786)
Result subsidiary	(141,226)	136,988
Provision subsidiary	-	(130,065)
Adjustment subsidiary previous years	(11,383)	(6,674)
	<u>(1,971,614)</u>	<u>(443,778)</u>

3. Other Information

3.1 Statutory provision regarding appropriation of result

In the articles of incorporation it states that the profit shall be at free disposal of the general meeting. Any distribution of the profit shall be made after approval of the annual account. Consequently the following has been presented concerning the appropriation of the result.

3.2 Appropriation of result

The management of the company proposes to appropriate the result as follows:

The Company has a positive result for the year 2022 in the amount of EUR 10,053,599. The Board of Directors, following consideration of the availability of profits for distribution as well as the liquidity position of the Company, recommend the payment of a dividend of EUR 8,600,000 distributed from the profit of 2021. The remaining amount will be added in full to the other reserves.

3.3 Subsequent events

There are no events after the balance sheet date that have significant impact on these financial statements, that require further disclosure.

Name:

Position:

Signature:

Global Related Services B.V.

Statutory Director

