

RELIGA LIMITED

Annual Report and Financial Statements
31 December 2023

I certify this is a true
copy of the original document.


Roderick Attard
CPA Warrant No. 11349
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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2023.

Principal activity

The company's principal activities are to provide live streaming of casino games from its studios and remote gaming platform in accordance with the terms of the business-to-business (B2B) licence issued by the Malta Gaming Authority.

Review of the business

2023 represented a transformative year for Religa, whereby the Company has increased its revenue and profitability exponentially compared to 2022. Turnover for 2023 reached €3.8 millions, compared to €8,647 during the previous year. Such growth was mainly secured through the following strategic initiatives successfully completed during the year under review:

- i. Obtaining a business-to-business ("B2B") gaming license in various jurisdictions, predominantly a Malta Gaming Authority license in Malta;
- ii. Completing the acquisition of a B2B business from Online Gaming Solutions Limited in July 2023. The acquired business is complimenting the licenses obtained during the year, and will continue to drive Religa's expansion in all licensed jurisdictions, and;
- iii. Securing financing to support new projects and fuel further growth in 2024.

Besides increasing revenues, management focused on running its operations in an efficient way and with optimal margins. Although costs have increased exponentially year-on-year, operations have been executed with an improved gross profit margin (26% compared to 20% in 2022). This led to a healthy gross profit of just over €1 million. Operating profit amounted to €220,685 compared to an operating loss of €20,860 in 2022. Finance costs increased to €21,725, driven by higher borrowings concluded towards the end of the year and lease liabilities taken over from the acquired business. This led to a profit before tax of €198,960.

Reviewing the statement of financial position, the company's equity ended the year at €186,796 versus a negative equity position of €9,489, reflecting the year's performance. No dividends were declared or paid during the year under review.

Total assets amounted to €7.42 million, a hefty increase over the previous year. 16% of the Company's total assets are in the form of non-current assets whose year-on-year growth represents the company's investments particularly the business acquisition concluded in July 2023. Receivables (€5.92 million) are by far the company's largest asset, comprising of significant increases in trade receivables and prepayments/advances to suppliers (driven by higher revenues and new projects. Particular reference is being made to advances to suppliers as these amount to €1.29 million and refer to contractual arrangements entered into by the Company towards the end of the year). Cash and cash equivalents have also increased year-on-year, driven by higher profitability.

Liabilities in total, increased to €7.23 million. Payables (€4.97 million) are the Company's highest liability, comprising mainly of increased liabilities arising from wider operations as well as deferred income in conjunction with new projects which were not completed nor gone live by the end of the year, and which amount is also reflected in Trade Receivables. Despite the high liabilities, the Company has strengthened its net current asset position from €10,552 in 2022 to over €1 million in 2023.

Outlook for 2024

2024 is an exciting year for Religa, as it continues to implement its growth strategy, driven by higher demand for the Company's services and supported by further investments in new studios and products. The main challenge remains pressures on cost of operations, particularly payroll costs as it is proving to be more expensive to recruit and retain staff. Also new projects bring about new operational costs and additional administrative and compliance overheads. Still, thanks to the various growth initiatives being implemented, management is confident that 2024 revenues and profitability should be superior to that of the previous year.

Directors' report - continued

Financial risk management

The company's activities expose it to a variety of financial risks, including market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. Refer to Note 2.

Results and dividends

The statement of comprehensive income is set out on page 7. During the year the directors did not declare any dividends (2022: €Nil). The balance of retained earnings amounting to €146,796 (2022: -€13,489) will be carried forward to the next financial year.

Directors

The directors of the company who held office during the year were:

Fabrizio Fenech
Angela Attard Fenech

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act (Cap.386) to prepare financial statements which give a true and fair view of the state of affairs of the company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining 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, and that comply with the Maltese Companies Act (Cap. 386). 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.

On behalf of the board



Fabrizio Fenech
Director



Angela Attard Fenech
Director

Registered office:
Level -4
Portomaso Marina
Portomaso
St. Julians
Malta

26 June 2024

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Religa Limited

Report on the Audit of the Financial Statements**Opinion**

We have audited the financial statements of Religa Limited (the Company), set out on pages 6 to 27, which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company, as at 31 December 2023 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (EU IFRSs) and have been properly prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the General Information. Our opinion on the financial statements does not cover this 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, 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 the Directors

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), 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 Company'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 Company or to cease operations, or has 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Under Maltese Companies Act (Cap. 386) we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.

We have nothing to report to you in respect of these responsibilities.

John Abela (Partner) for and on behalf of

Horwath Malta
Member Crowe Global

La Prowida
Karm Zerafa Street
Birkirkara BKR1713
Malta

26 June 2024

Statement of financial position

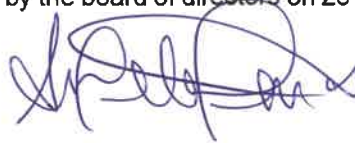
		As at 31 December	
	Notes	2023 €	2022 €
ASSETS			
Non-current assets			
Goodwill	4	84,368	-
Intangible assets	5	49,388	5,129
Property, plant and equipment	6	370,983	11,851
Right-of-use assets	7	729,398	-
Deferred tax asset	9	-	7,979
Total non-current assets		1,234,137	24,959
Current assets			
Inventories	8	15,088	-
Trade and other receivables	10	5,915,874	10,746
Cash and cash equivalents	11	255,196	32,544
Total current assets		6,186,158	43,290
Total assets		7,420,295	68,249
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	40,000	4,000
Retained earnings		146,796	(13,489)
		186,796	(9,489)
Non-current liabilities			
Lease liabilities	7	697,300	-
Borrowings	13	1,445,000	45,000
Deferred tax liability	9	3,260	-
		2,145,560	45,000
Current liabilities			
Trade and other payables	14	4,966,132	32,738
Lease liabilities	7	95,633	-
Current tax liabilities		26,174	-
Total current liabilities		5,087,939	32,738
Total liabilities		7,233,499	77,738
Total equity and liabilities		7,420,295	68,249

The notes on pages 10 to 27 are an integral part of these financial statements.

The financial statements on pages 6 to 27 were authorised for issue by the board of directors on 26 June 2024 and were signed on its behalf by:



Fabrizio Fenech
Director



Angela Attard Fenech
Director

Statement of comprehensive income

		Year ended 31 December	
	Notes	2023 €	2022 €
Revenue		3,806,965	8,647
Cost of sales		(2,803,192)	(6,918)
Gross profit		1,003,773	1,729
Administrative expenses		(796,556)	(22,589)
Other income		13,468	-
Operating profit		220,685	(20,860)
Finance costs	15	(21,725)	(608)
Profit before tax		198,960	(21,468)
Tax expense	16	(38,675)	7,979
Profit for the year - total comprehensive income		160,285	(13,489)

The notes on pages 10 to 27 are an integral part of these financial statements.

Statement of changes in equity

	Note	Share capital €	Retained earnings €	Total €
Balance at 20 December 2021		-	-	-
Transaction with Owners				
Issuance of Share Capital		4,000	-	4,000
Comprehensive income				
Loss for the period - total comprehensive income		-	(13,489)	(13,489)
Balance at 31 December 2022		4,000	(13,489)	(9,489)
Balance at 1 January 2023		4,000	(13,489)	(9,489)
Transaction with Owners				
Increase in Share Capital during the year	12	36,000	-	36,000
Comprehensive income				
Profit for the year - total comprehensive income		-	160,285	160,285
Balance at 31 December 2023		40,000	146,796	186,796

The notes on pages 10 to 27 are an integral part of these financial statements.

Statement of cash flows

		Year ended 31 December	
	Notes	2023 €	2022 €
Cash flows from operating activities			
Profit / (Loss) for the year		160,285	(20,860)
Adjusting for non-cash items			
- Amortisation	5	52,639	570
- Depreciation	6, 7	87,543	1,317
- Finance cost	15	21,725	-
- Tax expense	16	38,675	-
Change in working capital			
- Change in Receivables		(2,727,411)	(10,746)
- Change in Payables		2,525,624	32,737
Net cash generated from operating activities		159,080	3,018
Cash flows from investing activities			
Purchase of intangible asset	5	(96,898)	(5,699)
Purchase of property, plant and equipment	6	(403,346)	(13,167)
Purchase of other assets as part of business acquisition	18	(872,184)	-
Net cash used in investing activities		(1,372,428)	(18,866)
Cash flows from financing activities			
Proceeds from new share issue	12	36,000	4,000
Proceeds from new loan financing	13	1,400,000	45,000
Loan interest paid		-	(608)
Net cash generated from financing activities		1,436,000	48,392
Net movement in cash and cash equivalents		222,652	32,544
Cash and cash equivalents at beginning of year		32,544	-
Cash and cash equivalents at end of year	10	255,196	32,544

The notes on pages 10 to 27 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386). The financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the company's accounting policies (see Note 3 - Critical accounting estimates and judgements).

The financial statements have been prepared on a going concern basis.

Standards, interpretations and amendments to published standards effective in 2023

In 2023, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2023. Except for the amendments to IAS 1 and IFRS Practice Statement 2, the adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies impacting the Company's financial performance and position, including disclosures.

- *Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies*

The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Material accounting policy information is now required to be disclosed instead of significant accounting policies. The amendments explain how an entity can identify material accounting policy information and give examples of when accounting policy information is likely to be material. Accounting policy information may be material due to its nature and is material if users of an entity's financial statements would need it to understand other material information in financial statements.

In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.

With effect from these financial statements for the year ended 31 December 2023, the Company has consequently limited its disclosure of accounting policies to that information that is material.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the Company's accounting periods beginning after 1 January 2023. The Company have not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's Directors are of the opinion that there are no requirements that will have possible significant impact on the Company's financial statements in the period of initial application.

1. Summary of significant accounting policies - continued

1.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in euro, which is the company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

All foreign exchange gains and losses are presented in the income statement.

1.3 Property, plant and equipment

Property, plant and equipment, are initially recorded at historical cost and are subsequently stated at cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

	%
Furniture and fittings	10-20
Gaming and electronic equipment	10-20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Note 1.5).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and are recognised in profit or loss.

1.4 Intangible assets

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

1. Summary of significant accounting policies - continued

1.4 Intangible assets (continued)

Goodwill

Goodwill represents the difference between the cost of acquisition arising from business combinations and the fair value of an acquired identifiable assets and liabilities on the acquisition date. On acquisition, goodwill is initially recognised at cost and is subsequently measured at cost less any accumulated impairment. When testing for impairment, goodwill is allocated to the cash-generating units that are expected to benefit from the acquisition. A cash-generating unit to which goodwill has been allocated is tested annually for impairment, or more frequently if there is an indication that the cash-generating unit is impaired. If the recoverable amount of a cash-generating unit is lower than its carrying amount, the impairment is first allocated to the carrying amount of goodwill allocated to the cash-generating unit and subsequently to other assets, based on the carrying amount of each asset in the cash-generating unit. Internal and external factors are taken into account in the calculations. Any goodwill impairment is recognised as an expense immediately and is not reversed.

Trademark

The registered trademark is classified as intangible asset and carried at cost less any accumulated amortisation and any accumulated impairment losses. Trademarks are amortised on a straight-line basis until the expiry of the registered trademark.

Customer Contract

The customer contracts were acquired as part of an acquisition of assets and liabilities. These are classified as intangible assets and carried at cost less any accumulated amortisation and any accumulated impairment losses. Customer contracts are amortised on a straight-line basis over three years.

Licences

The licenses are classified as intangible assets and carried at cost less any accumulated amortisation and any accumulated impairment losses. Licenses are amortised on a straight-line basis over the term of the license.

1.5 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.6 Financial instruments

Classification

The Company classifies its financial assets as financial assets measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Company classifies its financial assets as at amortised cost only if both the following criteria are met:

-

1. Summary of significant accounting policies - continued

1.6 Financial instruments (continued)

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Interest income on debt instruments measured at amortised cost from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition of these instruments is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of comprehensive income.

Impairment

The Company assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company's financial assets are subject to the expected credit loss model.

Expected credit loss model

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, and it considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data such as significant financial difficulty of the borrower or issuer, or a breach of contract such as a default or being more than 90 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

1.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and variable selling expenses.

1.8 Trade and other receivables

Trade receivables comprise amounts due from patrons for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowance. Details about the company's impairment policies and the calculation of loss allowance are provided in Note 1.6.

1.9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks.

1.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

1.11 Financial liabilities

The Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities'). Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1. Summary of significant accounting policies - continued

1.12 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.14 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.15 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

1. Summary of significant accounting policies - continued

1.16 Revenue

The Company generates revenue by entering into a revenue share deal or a fixed deal where such revenue is apportioned on an accrual basis over the whole term of the contract. The consideration for such services is generally split between an initial setup to configure the software as per the customer's requirements and on-going charge invoiced monthly.

The uncertainty on the amount of revenue to be received is resolved at each calendar month-end since the contracts are such that the amounts reset to zero on a monthly basis. Accordingly, it would be appropriate for the Company to recognise the monthly amounts invoiced in profit or loss.

1.17 Leases

The company is the lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

The Company has existing agreements in relation to property rents. These contracts are long term in nature. The lease agreements do not impose any covenants.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liability includes the net present value of the following lease payments:

- fixed payments;
- variable lease payments that are based on an index or a rate.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, where there is no third party financing; and
- makes adjustments specific to the lease, eg term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

1. Summary of significant accounting policies - continued

1.17 Leases (continued)

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate);
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

1.18 Borrowing costs

Borrowing costs are recognised in profit or loss for all interest-bearing instruments on an accrual basis using the effective yield method. Finance costs includes the effect of amortising any difference between net proceeds and redemption value in respect of the company's borrowings. Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment or investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use.

Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of the group's interest-bearing borrowings.

1.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

1.20 Business Combinations

The Company accounts for business combinations using the acquisition method in accordance with IFRS 3. The purchase consideration for a business combination is measured at the acquisition date's fair values of identifiable assets and liabilities acquired, except for Deferred tax assets or liabilities, recognised and measured as per IAS 12 Income Taxes.

Where the purchase consideration exceeds the fair value of identifiable net assets as at acquisition date, the difference is reported as goodwill in the statement of financial position. If the difference is negative, this is recognised as a bargain purchase gain in the income statement after a review of the difference.

2. Financial risk management

2.1 Financial risk factors

The Company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding year.

The board provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective Company's functional currency. The Company is not exposed to foreign exchange risk as all income and expenditure is denominated in euro.

The Company's receivables, cash and cash equivalents, and payables are denominated in euro. Accordingly, a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

(ii) Cash flow and fair value interest rate risk

The Company has no significant interest-bearing assets and liabilities, and its income and operating cash flows are substantially independent of changes in market interest rates.

(b) Credit risk

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date as summarised below. The Company's exposures to credit risk as at the end of the reporting periods are analysed as follows:

	2023 €	2022 €
Financial assets measured at amortised cost		
Trade and other receivables (Note 10)	5,915,874	10,746
Cash and cash equivalents (Note 11)	255,196	32,544
	6,171,070	43,290

To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. The Company monitors the performance of its receivables on a regular basis to identify expected collection losses, which are inherent in the Company's receivables, taking into account historical experience.

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The Company does not hold any collateral as security in this respect.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk (continued)

At 31 December 2023 and 2022, cash deposits are held with reputable European Financial institutions. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their obligations in the near term. As a result, no loss allowance has been recognised based on 12 - month expected credit loss as at such impairment would be wholly insignificant to the company.

(c) Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally lease liabilities (refer to Note 7) and trade and other payables (refer to Note 14). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the company's obligations.

Management monitors liquidity risk by reviewing expected cash flows over a twelve month period and ensures that when additional financing facilities are expected to be required over the coming year there are adequate credit facilities in place with external sources and group treasury by the Company's shareholders.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period between the end of the reporting period and the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant.

	Carrying amount €	Contractual cash flows €	Within one year €	One to five years €	Over five years €
31 December 2023					
Trade and other payables	4,966,132	4,966,132	4,966,132	-	-
Borrowings	1,445,000	1,445,000	-	1,445,000	-
Lease liabilities	792,933	792,933	95,633	697,300	-
	7,204,065	7,204,065	5,061,765	2,142,300	-
31 December 2022					
Trade and other payables	32,738	32,738	32,738	-	-
Borrowings	45,000	45,000	-	45,000	-
	77,738	77,738	32,738	45,000	-

The Company's net current asset position as at 31 December 2023 amounted to €1,098,219 (2022: €10,552). The Company is in a position to meet its obligations as and when they fall due and to continue operating as a going concern for at least 12 months from signing of these financial statements.

2. Financial risk management – continued

2.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to ensure that borrowings (if any) are adequately serviced and repaid on their contractual maturity date.

The capital of the Company is not managed with a view of maintaining a controlled relationship between capital and borrowings since the Company does not have borrowings and it is the directors' view that required funding is advanced by the Company's shareholders.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

2.3 Fair values

As at 31 December 2023 and 2022, the carrying amounts of cash at bank, trade and other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Goodwill

	2023 €	2022 €
Opening balance	-	-
Additions during the period (refer to note 18)	84,368	-
Impairment	-	-
Closing balance as at 31 December	<u>84,368</u>	<u>-</u>

The addition to goodwill during 2023 arose on the business combination transaction disclosed in note 18. Up to reporting date, there were no events, business projections or other indications which warrant impairment.

5. Intangible assets

	Trademark €	Customer contract €	License €	Total €
Cost				
Balance as at 21 December 2021	-	-	-	-
Additions during the period	5,699	-	-	5,699
Disposals during the period	-	-	-	-
Balance as at 31 December 2022	5,699	-	-	5,699
Balance as at 1 January 2023	5,699	-	-	5,699
Additions during the year	-	20,066	76,832	96,898
Disposal during the year	-	-	-	-
Balance as at 31 December 2023	5,699	20,066	76,832	102,597
Accumulated Amortisation				
Balance as at 21 December 2021	-	-	-	-
Amortisation charge for the period	570	-	-	570
Disposals during the period	-	-	-	-
Balance as at 31 December 2022	570	-	-	570
Balance as at 1 January 2023	570	-	-	570
Amortisation charge for the year	570	20,066	32,003	52,639
Disposal during the year	-	-	-	-
Balance as at 31 December 2023	1,140	20,066	32,003	53,209
Net Book Value				
As at 31 December 2022	5,129	-	-	5,129
As at 31 December 2023	4,559	-	44,829	49,388

The Company's amortisation charge of €52,639 (2022: €570) is included in cost of sales and administrative expenses.

6. Property, plant and equipment

	Furniture & Fittings €	Gaming & Electronic equipment €	Total €
Cost			
Balance as at 21 December 2021	-	-	-
Additions during the period	-	13,167	13,167
Disposals during the period	-	-	-
Balance as at 31 December 2022	-	13,167	13,167
Balance as at 1 January 2023	-	13,167	13,167
Additions during the year	105,785	297,561	403,346
Disposal during the year	-	-	-
Balance as at 31 December 2023	105,785	310,728	416,513
Accumulated Depreciation			
Balance as at 21 December 2021	-	-	-
Depreciation charge for the period	-	1,317	1,317
Disposals during the period	-	-	-
Balance as at 31 December 2022	-	1,317	1,317
Balance as at 1 January 2023	-	1,317	1,317
Depreciation charge for the year	6,011	38,202	44,213
Disposal during the year	-	-	-
Balance as at 31 December 2023	6,011	39,519	45,530
Net Book Value			
As at 31 December 2022	-	11,850	11,850
As at 31 December 2023	99,774	271,209	370,983

The Company's depreciation charge of €44,213 (2022: €1,317) is included in cost of sales and administrative expenses. The Company did not have any fully depreciated assets as at 31 December 2023 and 2022.

7. Leases

The Company has lease agreements for property rent which are all long-term in nature. As disclosed in note 1.17, the Company had to recognise right-of-use asset and the related liability in line with IFRS 16.

i.) Amounts recognised in the statement of financial position

	2023 €	2022 €
Right-of-use-assets		
Property	729,398	-
Lease Liabilities		
Current	95,633	-
Non-current	697,300	-
Total	792,933	-

ii.) Amounts recognised in the statement of comprehensive income

	2023 €	2022 €
Depreciation of right-of-use-assets	43,330	-
Interest expense (Note 15)	19,702	-

The total cash outflow of the Company for leases in 2023 is €39,189 (2022: €nil).

8. Inventories

	2023 €	2022 €
Player cards	15,088	-

9. Deferred taxation

Deferred income taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2022: 35%).

The movement on the deferred tax account is as follows:

	2023 €	2022 €
At beginning of year	7,979	-
Credited / (Debited) to the statement of comprehensive income (Note 16)	(11,239)	7,979
Deferred tax (liability) / asset at end of year	(3,260)	7,979

The balance at 31 December represents:

	2023 €	2022 €
Temporary differences arising on:		
Depreciation of property, plant and equipment	(16,140)	(691)
Leases	12,880	-
Unabsorbed capital allowances	-	1,152
Unabsorbed trading losses	-	7,518
Deferred tax (liability) / asset at end of year	(3,260)	7,979

10. Trade and other receivables

	2023 €	2022 €
Trade receivables	3,690,232	2,818
Other receivables	455,000	-
Indirect taxes	390,793	2,229
Prepayments and accrued income	89,322	-
Advances to suppliers	1,290,527	5,699
Total trade and other receivables	5,915,874	10,746

11. Cash and cash equivalents

Cash equivalents as at 31 December comprise of the following:

	2023 €	2022 €
Cash at bank and in hand	255,196	32,544

The identified expected credit loss on cash and cash equivalents was not deemed material and thus it was not reflected in the Company's financial statements.

12. Share capital

	2023 €	2022 €
Authorised		
Ordinary 'A' shares of €1 each	<u>40,000</u>	<u>4,000</u>
Issued and fully paid		
Ordinary 'A' shares of €1 each	<u>40,000</u>	<u>4,000</u>

During the year, the Company's authorised and issued share capital was increased to 40,000 shares with a total nominal value €40,000.

The holders of any ordinary 'A' shares shall be entitled to one vote per share, including the right to appoint any directors, shall be entitled to participate in any dividend distribution and/or participate in any distributions effected on liquidation of the company, in respect of the ordinary 'A' shares they hold in the Company.

13. Borrowings

	2023 €	2022 €
Non-current		
Borrowings from related parties	<u>1,445,000</u>	<u>45,000</u>

Weighted average effective interest rates at the end of the reporting period:

	2023	2022
Borrowings from related parties	<u>5.50%</u>	<u>4.50%</u>

Borrowings from related parties are unsecured, carried an interest of 6.5% per annum and are repayable by 31 December 2028, except for an amount of €45,000 which carries an interest of 4.5% per annum and is repayable by 31 December 2026.

14. Trade and other payables

	2023 €	2022 €
Trade creditors	683,916	24,532
Amounts owed to related parties	392,811	-
Security deposits and other provisions	496,860	-
Accruals	209,128	8,206
Deferred income	3,183,417	-
	<u>4,966,132</u>	<u>32,738</u>

Amounts owed to related parties are unsecured, interest free and repayable on demand.

15. Finance costs

	2023 €	2022 €
Interest on borrowings	2,023	608
Interest expense on lease liabilities	19,702	-
	<u>21,725</u>	<u>608</u>

16. Tax expense / (credit)

	2023 €	2022 €
Current tax expense	27,436	-
Deferred tax expense (Note 9)	11,239	(7,979)
Tax expense / (credit)	<u>38,675</u>	<u>(7,979)</u>

The tax on the Company's profit before tax does not differ from the theoretical amount that would arise using the basic tax rate as follows:

	2023 €	2022 €
Profit / (Loss) before tax	198,960	(21,468)
Tax on profit at 35%	69,636	(7,514)
Tax effect of:		
Disallowed expenses	(30,496)	-
Intellectual property accelerated depreciation for tax purposes	(465)	(465)
Tax charge / (credit)	<u>38,675</u>	<u>(7,979)</u>

17. Statutory information

Religa Limited is a limited liability company and is incorporated in Malta, with its registered address at Level -4, Portomaso Marina, Portomaso, St Julian's, Malta.

18. Business Combinations

The Company acquired a business-to-business from Online Gaming Solutions Limited in July 2023. The acquired business comprises of gaming and studios commitments used to provide live streaming of casino games.

18. Business Combinations (continued)

Details of the purchase price and the fair value of the acquired assets and liabilities are disclosed below:

	€
Purchase Price	569,436
<i>Identifiable assets:</i>	
Gaming and other electronic equipment	256,214
Furniture and Fittings	103,918
Intangible Assets	96,898
Inventory	21,216
Right-of-use Assets	772,728
Lease liabilities	(765,906)
Liabilities to Customers representing Security deposits	(455,000)
Cash held as Guarantee deposits	455,000
Total fair value of net assets	485,068
 Goodwill (note 4)	 84,368