GAN plc

2016 Annual Results

LSE: GAN ISE: GAME

London & Dublin | May 30, 2017: GAN plc ("GAN" or the "Group"), a leading B2B supplier of Internet gaming enterprise software-as-a-service solutions to the US land-based casino Industry, announces results for the twelve months ended December 31, 2016.

Financial Overview

- Net Revenue of £7.8m (2015: £6.0m) an increase of 30% on 2015.
- Clean EBITDA[1] loss of £0.9m (2015: £3.0m) a reduction of 70% on 2015.
- Loss before tax of £5.2m (2015: £5.6m) and loss per share of £0.06 (2015: £0.09)
- Loss after tax of £3.8m (2015: £5.0m)
- Cash and cash equivalents at the end of the year of £3.2m (2015: £3.8m)
- Net Assets at the end of the year of £10.9m (2015: £10.2 m)
- Raised Gross Proceeds of £4.4m in 2016 from share placings and an additional £2m in April 2017 through an unsecured 9% convertible loan note positioning the Group for further growth

Strategic & Operating Developments

- Launched Simulated Gaming™ in the US for three (3) new US casino clients (2015: 4)
- Signed five (5) new US casino clients for Simulated Gaming™ (2015: 5)
- Continued delivery of Betfair's fast-growing New Jersey Internet casino business BetfairCasino.com supported by GAN's Internet gaming platform, content & supporting services. The New Jersey Internet gaming market grew gross gaming revenues by 32% to $197m in 2016
- Post period end signed one (1) further client of both Simulated Gaming and real money Regulated Gaming in the US, bringing total to thirteen (13) US casino operator clients representing seventy-five (75) casino properties coast to coast
- GAN'S Simulated Gaming™ clients together generate $9bn (13%) of the land-based US casino Industry's annual gaming revenues of $68bn[2]
- Continued investment in US infrastructure: Licensing, offices and People
- Post period end launched four (4) new client operators of Simulated Gaming bringing to thirteen (13) the total number of US casinos operating Simulated Gaming online in reliance on GAN
- Post period end launch of a selection of IGT casino slot and video poker games for Simulated Gaming™ now available for end user players of Parx Casino's Simulated Gaming website ParxOnline.com, mobile iOS app and mobile Android app (search 'Parx Casino' in app stores)
- Post period end award of a full Casino Service Industry Enterprise in New Jersey, issued by the New Jersey Division of Gaming Enforcement following a multi-year licensing process
- Post period end an amended version of HB 271 was passed by the Pennsylvanian Senate on May 24, 2017 which may lead to Pennsylvania being the fourth US state to regulate after a three (3) year hiatus on regulation of real money Regulated Gaming. GAN is already providing Simulated Gaming™ to Parx Casino,

Pennsylvania's largest casino, and is contracted to provide real money Internet gaming services should regulation occur.

Dermot Smurfit, CEO of GAN commented:

"2016 has continued the period of investment for GAN, and, performance to date in 2017 is in line with our expectations.

GAN has continued to position its business to capture growth in emerging online gaming markets in the US. 2016 saw significant progress with Simulated Gaming™, together with a number of significant commercial and strategic developments.

Real-money Internet gaming in New Jersey and the pace of regulation in the US market has remained slower than expected although growth in New Jersey out-performed our full year expectations with gross gaming revenues up 32% year on year to $197m. We are confident in the long-term prospects for real-money gaming. For 2017 we believe that the opportunity for GAN with Simulated Gaming™ will more than adequately compensate for the delays in regulating real-money Internet gaming in the US which also positions GAN to serve existing clients of Simulated Gaming with real money Regulated Gaming in the event their casino properties' host State does regulate.

The State of Pennsylvania appears to be in the process of regulating Internet gaming with a number of legislative bills actively considered in 2016 of which derivative bills have been the subjects of legislative action in 2017 with the latest bill regulating real money Internet gaming being approved by the Pennsylvanian Senate just last week. GAN has been selected as the exclusive platform for both Simulated Gaming™ and regulated real-money Internet gaming by Parx Casino, the leading casino operator in Pennsylvania, and is positioned for substantial growth in regulated real-money gaming should suitable legislation be enacted in 2017.

Throughout 2016 GAN's Simulated Gaming™ enterprise solution continued to prove its ability to support the core on-property gaming business of US casino clients, lending impetus to new client signings. GAN's increasing body of evidence demonstrated that Simulated Gaming™ together with GAN's US-patented reward points integration system is a highly cost effective marketing tool for land-based casinos, which supports on-property gaming rather than cannibalising. The combination of GAN's compelling Internet gaming-as-entertainment experience and GAN's US-patented ability to integrate with land-based loyalty programs works to reactivate long-term lapsed patrons on-property, increase on-property visitation by existing patrons and generate incremental income online for GAN and the casino clients whilst also increasing land-based gaming revenues.

Simulated Gaming™ continues to represents a US market opportunity estimated at $250m in 2017 which is immediately addressable and not contingent on the pace of regulation nor dependant on US casino clients' making material investment in digital user acquisition as the majority of Simulated Gaming™ revenues are derived from the casino clients' existing patrons.

In 2016 the majority of GAN's US casino clients commenced marketing strategies to bring both existing and new patrons online, principally in the later months of the year. As this happens, GAN's US casino clients typically rely heavily on our team of marketing specialists. Marketing Services provided to US casino clients represents a significant opportunity for GAN not only to increase professional service fees but also to support casino clients in scaling their Simulated Gaming™ business online in the regions where their land-based gaming brands are recognised. Supported by GAN's Marketing Services Team, GAN's US casino operator clients also have the opportunity to significantly increase digital user acquisition in order to secure a share of the $2.5bn US Social Casino market as well as serve their existing patrons.

In 2016 GAN signed contracts with some of the largest multi-property US casino operators in the market including JACK Entertainment, Chickasaw Nation and Station Casinos each with annual land-based gaming revenues in excess of $1bn. As GAN's product offering, marketing and CRM strategies matured, performance metrics for Simulated Gaming ™ have made steady progress and the prospects for this business are very encouraging.

Our investment in the business continues and we have grown our team and expanded our technical expertise, US infrastructure and gaming content portfolio throughout 2016. Consistent with earlier statements, the US patent awarded to GAN in September 2015 has served to provide material benefit to the Simulated Gaming™ business as we grew in the US market in 2016.

We remain confident in our prospects for 2017 and beyond. For 2017, we forecast material growth of Simulated

Gaming™ from the launches of TEN Atlantic City in New Jersey, Oneida Nation's Turning Stone Casino in the State of New York, the Chickasaw Nation's WinStar World Casino in Oklahoma, Station Casinos in Nevada and MGM Resorts' The Borgata in New Jersey. We also recently completed GAN's first debt capital raise as a publicly-traded company with gross proceeds of £2m which will prepare the Company for Regulated Gaming in Pennsylvania and support the commencement of a US patent licensing program in 2017 which may represent a new source of patent licensing revenues for GAN.

We believe your Company has achieved critical mass in the US market with 13 major US casinos as clients of Simulated Gaming™ each of which has licensed GAN's Internet gaming system and our US patent and that the Company is well-positioned to secure additional profitable opportunities from incremental US States which regulated real money Internet gaming over time."

Notes

1. Clean EBITDA is a non GAAP company specific measure and excludes interest, tax, depreciation, amortisation, share based payment expense and other items, which the directors consider to be non-recurring and one time in nature.
2. The US land-based casino gaming Industry generated $67.6bn in total US casino gaming revenues in calendar year 2015 of which $29.3bn was derived from 459 Native American-owned casino properties growing at 3.1% annually and $38.3bn from 580 commercially-owned casino properties located in 24 States and growing at 2.3% annually (source: RubinBrown LLP, March 2016).

Note regarding forward-looking statements

This announcement includes forward-looking statements, including statements concerning current expectations about future financial performance and economic and market conditions which GAN believes are reasonable. However, these statements are neither promises nor guarantees, but are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated.

Results Conference Call

The GAN management team will host a conference call for analysts & institutional investors at 16.00 BST (11.00 ET / 08:00 PT) on May 30, 2017 the timing of which reflects the significantly increased holdings of GAN's publicly traded equity by US-based institutional investors. Those wishing to dial in should contact The Equity Group on the details below:

For further information please contact:

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Chairman's Report

Dear Fellow Shareholders

During the course of 2016 the Group greatly expanded its market share in the United States, our key geographic market, by securing additional major US land-based casinos as clients of virtual currency-based Simulated Gaming™. On March 21, 2016 the Group announced that it had successfully raised gross proceeds of £2.6m in new capital together with £0.5m announced July 13 and a further £1.3m on August 24, in order to continue expansion of real-money Regulated Gaming and Simulated Gaming™ opportunities in the US and for working capital and general business development purposes.

Regulated real money Internet-based casino gaming in New Jersey grew substantially throughout 2016 despite a slower-than-expected market growth in 2014/15. The Group has executed well and delivered operationally for Paddy Power Betfair plc in the New Jersey Internet gaming market, increasing a well-deserved reputation in the United States for technical competence reflecting the reputation already hard earned in Europe's toughest regulated Internet gaming markets of the United Kingdom and Italy.

In the neighbouring State of Pennsylvania the House of Representatives continued the political discourse on the subject of regulating Internet gaming and voted to approve Internet gaming only for the bill to fail to progress through the Senate. Pennsylvania remains widely regarded as the next most likely US State to regulate Internet gaming and the Group has operationally executed well for the State's largest land-based operator Parx Casino, a client of Simulated Gaming™ launched in 2015 and continued to be successful throughout 2016.

Your Board of Directors believes there are significant opportunities for continued growth of Regulated Gaming in New Jersey and other States and a significant opportunity for Simulated Gaming™ in the United States.

As in 2015, Simulated Gaming continued to outperform initial expectations in 2016 and, in the absence of further State-by-State real-money gaming regulation, Simulated Gaming™ continues as the centrepiece of the Group's growth strategy. We signed five major land-based US casinos as new clients in 2016 with three US casino clients commercially launched in the same period. We remain excited about the prospects for Simulated Gaming™ and the performance we have achieved since its initial launch together with the increasingly compelling business case positions the Group for further growth. Simulated Gaming™, suitably integrated with land-based casino operator's loyalty program in reliance on our US-patented iBridge Framework, greatly supports our client's core business of on-property real money gaming. We are also confident in the long-term potential for real money Regulated Gaming, however, we believe intra-State regulation in the US market will continue to be slower than was originally anticipated.

2016 was a year of continued investment for GAN as we developed both our real money Regulated Gaming and Simulated Gaming™ offering and our continued progress would not have been possible without the dedicated and talented staff employed by the Group in both London and throughout the United States. I thank them for their continued efforts and believe the Group is now well-established as a major Internet gaming technology, infrastructure and services provider to land-based casinos in the United States, consistent with the strategy set out during the Group's Initial Public Offering completed in November 2013.

After three years investing in our US market position we are satisfied the Group is now recognised as a leading B2B supplier of Internet gaming enterprise software-as-a-service solutions to the US land-based casino Industry and believe significant shareholder value will develop going forwards as New Jersey's Regulated Gaming market continues to grow and Simulated Gaming™ continues to be adopted by a portfolio of larger US casino operator clients.

Seamus McGill
Chairman, GAN plc
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Chief Executive Officer's report

Overview

GAN is now a leading B2B supplier of Internet gaming enterprise software-as-a-service (SaaS) solutions to the US land-based casino Industry and has secured significant US market share within this Industry vertical. 2016 was our third year of continued and necessary investment opening the Group to major commercial opportunities for real money Regulated Gaming in New Jersey and Simulated Gaming™, which are expected to deliver significant shareholder value in 2017 and beyond.

This substantial investment has been made in the US operational structure to develop the Group's US presence in both real money Regulated Gaming and Simulated Gaming™ markets. In the UK further substantial investment has been made in the Group's software technology and its capability to deliver both Simulated Gaming™ and real money Regulated Gaming to US casino operators, integrated with the US casino operators' existing land-based loyalty program.

Intra-State regulation of real money Internet gaming remained largely on hold in the US, although legislative action did occur in Pennsylvania in June with the passage of HB 2150 in the Pennsylvanian House of Representatives, which suggests Internet gaming legislation may progress further in that State during the course of 2017. In the meantime, Simulated Gaming™ continued to materially outperform initial expectations set in 2013 and is positioned for significant growth in 2017 and beyond as selected US casino operator clients increasingly allocate capital to both digital user acquisition marketing and targeted patron marketing in reliance upon GAN's marketing services team and their specialist digital marketing services.

During the year the Group launched Simulated Gaming™ for three major US casinos located throughout the Midwest and the North East, and signed three additional deals for delivery in 2017. International opportunities continue to be developed although the Group's strategic focus remained firmly on the US market.

In New Jersey, the Group delivered strongly for Betfair's regulated Internet casino gaming business establishing BetfairCasino.com as a significant Internet casino operator in New Jersey's regulated Internet gaming market. I would like to take this opportunity to thank staff at GAN, the regulators at the New Jersey Division of Gaming Enforcement, the management of Betfair's New Jersey operations and the operational management of Golden Nugget Atlantic City for all their support during 2016.

GAN's enterprise-level technology platform for Internet gaming is a truly scarce asset, managed by an equally-scarce team of experienced specialists managing one of a handful of fast-growing real money Regulated Gaming businesses in New Jersey. Real money Regulated Gaming in New Jersey has proved materially different in both general practice and specific technical requirements when compared with European markets. GAN is positioned to capture significant market share in any incremental US intra-State markets, which may regulate Internet gaming over time, including Pennsylvania, New York and Michigan.
The Company's diverse Internet gaming solutions are principally delivered to US clients by utilising the SaaS model, which, combined with GAN's underlying infrastructure-as-a-service (IaaS) model and ancillary professional services enables clients to create significant incremental value online from their existing end user patrons of their land-based casino properties.

During the year, the Group achieved strong financial growth in net revenue derived from the United States and the regulated Italian market. This growth was driven primarily by Simulated Gaming™ nationwide across the US and from regulated real money Internet gaming in both New Jersey and Italy. Growth in our core product verticals of Simulated Gaming™ and the sustainable real money Regulated Gaming markets of New Jersey in the US and Italy drove overall net revenue to increase by 30% to £7.8m (2015: £6.0m).

Strategy

Expansion in the United States remains a continuing strategic priority for the Group with requisite increases in US infrastructure centred on Las Vegas comprising human resource and licensing investment in relevant US States including New Jersey and Pennsylvania.

With the significant slowdown in regulation of real money intra-State Regulated Gaming the Group has increased its focus on delivering Simulated Gaming™ to land-based US casinos in advance of further regulation. The net revenue growth in 2016 supports the Group's internal focus on delivering Simulated Gaming™ to as many major US casino properties as possible prior to regulation of real money Regulated Gaming. Furthermore, the Group has received comprehensive evidence from collaborating clients that GAN's unique Simulated Gaming™ model has materially increased patrons' visitation on-property, reactivated significant numbers of long-term inactive patrons and generally proved highly supportive of on-property real money land-based gaming.

The Group continues to pursue further Internet gaming platform sales with selected members of the US casino Industry. The slow pace of incremental regulation of Internet gaming in the United States has materially contributed to on-going delays in securing an Internet gaming platform sale.

Investment in the Group's technical capability in key areas such as back office, mobile and convergence with land-based casino management systems continued throughout 2016 with significant growth of the Group's mobile gaming portfolio in HTML5 and native iOS and Android applications.

In Europe, the Group extended its market position in Italy by launching its content portfolio for Bet365 Italia with existing clients now representing a significant majority of the Italian market for casino gaming. GAN launched a significant range of new Internet games sourced from multiple new content partners delivered to clients via the Group's technical platform located in Rome. Italy remains a crucial market for GAN as a comprehensively regulated Internet gaming market exhibiting continued growth throughout 2016 consequent to the regulation of Internet casino gaming in 2013.

Products

The Group's back office system iSight Back Office™ received major upgrades released throughout 2016 continuing to deliver a state-of-the-art back office player management, marketing and analytics' capabilities with unique convergence features designed to complement a land-based casino's existing gaming operations.

The product related capabilities of Simulated Gaming™ took major strides in 2016 with a focus on monetisation of players and the introduction of gaming activity accelerants designed to extend player lifetimes, increase frequency of purchases and drive increased visitation to the US casino operators' land-based properties.

The Group's SENSE3™ mobile gaming proposition was materially enhanced in 2016 and greatly supported the Group's revenue growth in the mobile channel. The majority of end user active players now engage with both Simulated Gaming and real money Regulated Gaming primarily through their mobile devices and the Group completed the transition to a new technical development framework which greatly increases the rate of unified desktop-to-mobile game development.

A wide portfolio of new casino games were deployed throughout 2016 granting our clients access to a market-leading quality portfolio of US-relevant gaming content comprising simple casino slots and table games, complex multiplayer bingo and poker, multi-user casino games and a wide range of specialist games such as blackjack tournaments and region-specific card or dice games.

In 2016 the Group's research & development function completed the development of 'freemium' mobile casual skill-based games designed to meet the incremental needs of land-based casino operator clients and exploiting the deep expertise within the Group for developing skill-based games. A virtual reality or VR casino application for Oculus Rift headsets was also released in early 2016 for US casino operator client Empire City Casino in Yonkers, New York in further demonstration of GAN's commitment to innovation on behalf of its client US casino operators.

Marketing & Support Services

Throughout 2016, the Group continued to invest in establishing a wide range of secondary and tertiary services for US land-based casino clients designed to support the land-based casino operator in managing their end user patrons and growing through external user acquisition marketing and internal cross-sell marketing to existing patron databases and on-property human traffic. Marketing and support services remain a crucial component of the Group's service portfolio, ensuring any land-based casino operator can cost-effectively launch a turnkey managed Internet gaming service and, should they choose to, invest significant capital to grow profitably beyond its existing audience of casino patrons.

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FINANCIAL AND OPERATIONAL REVIEW

Summary

2016 has been a year of continued revenue growth and necessary investment for GAN. The Group has continued to make significant inroads into the US market executing against our strategy to broaden our geographic footprint through the addition of casino operators in key States in advance of regulation. In Italy the Group continues to strengthen its market position through the distribution of additional content and full year revenues from clients launched in the prior period.

The Group has built upon its significant coast to coast presence in the US market in order to drive additional growth. The Group entered 2016 with seven Casino operators in the US and Australia and added a further three operators in the second half of the year. Isle of Capri launched Ladyluck® online in July, JACK Entertainment launched in October and Twin River launched in November bringing the total number of Simulated Gaming™ clients operational entering 2017 to nine. The US market remains the core strategic market for the Group as it seeks to continue to drive adoption from land-based casinos to the online digital market. Revenues from the US market have grown year on year by 66% and now account for 64% of total Group revenues.

The Group remains focused on generating recurring revenue growth in both of its primary markets, the US and Italy. Recurring revenues accounted for 71% of total net revenue. In addition to the US market growth the Group has benefited from continued recurring revenue growth in the regulated market of Italy where the launch of an additional operator and the full year contribution of two new operators launched in the prior period has continued to drive revenue growth. Net revenues from the Italian market have grown by 50% and now represent over 25% of total net revenue.

The Group continued to invest heavily in the underlying Internet Gaming System and product capability to meet the ongoing market demand and to ensure that it continues to be in position to capatalise on the immediate Simulated Gaming™ opportunity in the US market. The Group has continued with plans to rationalise its cost base through the opening of a new technical development office in Bulgaria. The introduction of an additional technical resource in a lower cost market will enable the Group to continue to enhance its delivery capability while reducing the underlying cost structure over time.

The Group reports gross income of £31.7m, a 23% increase from 2015. Net revenue for the year was £7.8m compared to £6.0m in the same period last year, an increase of 30%. Clean EBITDA loss of £0.9m compares to a Clean EBITDA loss in 2015 of £3.0m and loss before taxation of £5.2m compares to a loss before taxation in the prior period of £5.6m. Loss after taxation of £3.8m reflects the successful claim for research and development tax credits in 2016 of £1.1m and in respect of prior years, received in 2016, of £0.9m.

The group ended the year with a cash balance of £3.2m compared to £3.8m for the year ended 31 December 2015 and net assets at 31 December 2016 of £10.9m compared to £10.2m in the previous year. During the period the Group raised gross proceeds of £4.4m and on 28th April 2017 the Group announced that it had raised gross proceeds of £2.0m through the successful placing of a 9% unsecured convertible loan note issue. The new capital will enable the Group to take advantage of expected real-money regulated gaming opportunities in the US as well as for working capital and general business development purposes.

Revenue

Net revenue for the year of £7.8m has increased by 30% and is £1.8m higher than the net revenue generated in the previous year of £6.0m.

Overall B2B revenues have increased by £2.0m from £5.4m to £7.4m an increase of 37%. B2B revenue share and other revenues increased by 24% from £4.2m to £5.2m. B2B game and platform development revenues also increased by £1.0m, from £1.2m to £2.2m in the current period. The increase in B2B revenue share and other revenues has been driven by the regulated gaming markets in New Jersey and Italy and by Simulated Gaming™ where we now have nine casinos operational, three of which launched in H2 of 2016. Platform development revenues increased substantially and offset continued declines in game development fees during the year. B2C net revenue decreased from £0.6m to £0.4m.

FINANCIAL AND OPERATIONAL REVIEW *(continued)*

Expenses

Distribution costs include royalties payable to third parties, B2B and B2C direct marketing expenditure and the direct costs of operating the hardware platforms deployed across the business which in total increased from £5.4m to £7.4m for the year ended 31 December 2016. The increase is due primarily to increased amortisation of intangible assets of £1.4m and increased royalties payable to providers of third party games content in Europe for real money gaming and in the US for Simulated Gaming™.

Administration expenses include the costs of personnel and related expenditure for the London, Nevada and Sofia offices. The Group reports total administrative expenses for the year ended 31 December 2016 of £5.6m, £0.7m less than those incurred in 2015. The majority of this reduction, £0.4m, was due to foreign exchange gains as a result of the strengthening of both the US dollar and the Euro consequent to Brexit.

CLEAN EBITDA

Clean EBITDA is a non GAAP company specific measure and excludes interest, tax, depreciation, amortisation, share based payment expense and other items which the directors consider to be non-recurring and one time in nature as disclosed in note 6. The Directors regard Clean EBITDA as a reliable measure of profits that is not unduly subjective.

Clean EBITDA loss of £0.9m compares to an clean EBITDA loss of £3.0m in 2015 reflecting the impact of continuing to invest in the underlying delivery and product capability.

Cashflow

The cash balance at 31 December 2016 was £3.2m compared to £3.8m in 2015, a reduction of £0.6m. During the year the Group has continued to invest in the underlying Internet Gaming System deployment and product capability. The Group raised additional capital of £4.4m before related expenses which together with operating cash outflow of £0.7m partially offset expenditure of £4.5m in incremental investment in intangible fixed assets that related principally to the capitalisation of internal development time and related overhead. Excluding the impact of additional capital raised by the Group, cash outflow has decreased from £7m in 2015 to £5m in the current period.

KEY PERFORMANCE INDICATORS

The directors regard Clean EBITDA as a reliable measure of profits and the Group's key performance indicators are set out below:

	2016	**2015**
	£000	**£000**
Gross income from gaming operations and services	31,675	25,837
Net revenue	7,803	6,011
Clean EBITDA	(932)	(3,018)
Loss before taxation	(5,199)	(5,604)
Loss after taxation	(3,759)	(5,022)
Net assets	10,940	10,184
Cash and cash equivalents	3,179	3,779

The Board also monitor client-related KPIs, including the number of active players, revenue by client, average revenue per daily active user and number of daily active users for Simulated Gaming™, business segment profitability and geographic split of turnover.

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For the year ended 31 December 2016

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Continuing Operations			
Gross income from gaming operations and services	2.3	31,675	25,837
Net revenues	4	**7,803**	**6,011**
Distribution costs		(7,423)	(5,384)
Administrative expenses		(5,600)	(6,250)
Total operating costs		(13,023)	(11,634)
Clean EBITDA		(932)	(3,018)
Depreciation	10	(375)	(438)
Amortisation of intangible assets	9	(3,203)	(1,801)
Impairment of intangible assets		(411)	-
Exceptional costs	6	(142)	(355)
Employee share-based payment charge		(157)	(11)
Operating (loss)	6	(5,220)	(5,623)
Finance income	7	21	19
(Loss) before taxation		(5,199)	(5,604)
Tax credit	8	1,440	582
(Loss) for the year attributable to owners of the Group and total comprehensive income for the year		(3,759)	(5,022)
Earnings per share attributable to owners of the parent during the year			
Basic (pence)	14	(5.81)	(8.99)
Diluted (pence)	14	(5.81)	(8.99)

Clean EBITDA is a non GAAP company specific measure and excludes interest, tax, depreciation, amortisation, share based payment expenses and other items which the directors consider to be non-recurring and one time in nature. Where not explicitly mentioned, EBITDA refers to EBITDA from continuing operations.

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For the year ended 31 December 2016

Consolidated statement of financial position

	Notes	At 31 December 2016 £'000	At 31 December 2015 £'000
Non-current assets			
Intangible assets	9	6,433	5,570
Property, plant and equipment	10	479	884
Lease deposits		170	170
Deferred tax asset	8	-	510
		7,082	7,134
Current assets			
Trade and other receivables		2,834	2,851
Research & Development tax credit receivable	8	1,061	-
Cash and cash equivalents	11	3,179	3,779
		7,074	6,630
Total assets		**14,156**	**13,765**
Current liabilities			
Trade and other payables	12	2,995	3,231
Total current liabilities		2,995	3,231
Non-current liabilities			
Other payables	12	221	350
Total non-current liabilities		221	350
Equity attributable to equity holders of parent			
Share capital	13	701	560
Share premium account		18,809	14,592
Retained (deficit)/ earnings		(8,570)	(4,968)
		10,940	10,184
Total equity and liabilities		**14,156**	**13,765**

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For the year ended 31 December 2016

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Retained (deficit)/ earnings £'000	Total equity £'000
At 31 December 2014	**559**	**14,574**	**43**	**15,176**
Loss and total comprehensive income for the year	-	-	(5,022)	(5,022)
Employee share-based payment charge	-	-	11	11
Issue of equity share capital	1	18	-	19
At 31 December 2015	**560**	**14,592**	**(4,968)**	**10,184**
Loss and total comprehensive income for the year	-	-	(3,759)	(3,759)
Employee share-based payment charge	-	-	157	157
Issue of equity share capital	141	4,217	-	4,358
At 31 December 2016	**701**	**18,809**	**(8,570)**	**10,940**

The following describes the nature and purpose of each reserve within equity:

Share capital	Represents the nominal value of shares allotted, called up and fully paid
Share premium	Represents the amount subscribed for share capital in excess of nominal value
Retained earnings	Represents the cumulative net gains and losses recognised in the consolidated statement of comprehensive income

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For the year ended 31 December 2016

Consolidated statement of cash flows

	Notes	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Cash flow from operating activities			
(Loss) for the year after taxation		(3,759)	(5,022)
Adjustments for:			
Amortisation of intangible assets	9	3,203	1,801
Impairment of intangibles	9	412	-
Depreciation of property, plant and equipment	10	375	438
(Profit)/Loss on disposal of fixed asset	10	77	-
Share based payment expense		157	11
Tax credit	8	(1,440)	(582)
Finance income	7	(21)	(19)
Foreign exchange		(408)	23
Operating cash flow before movement in working capital and taxation		**(1,404)**	**(3,350)**
Decrease/(increase) in trade and other receivables		(566)	398
Increase/(decrease) in trade and other payables		(236)	657
Taxation		1,471	-
Net cash flows from operating activities		**(735)**	**(2,295)**
Cash flow from investing activities			
Interest received		21	19
Purchase of intangible fixed assets	9	(4,480)	(4,175)
Purchases of property, plant and equipment	10	(46)	(517)
Net cash used in investing activities		**(4,505)**	**(4,673)**
Cash flow from financing activities			
Net proceeds on issue of shares	13	4,358	19
Net cash generated from financing activities		**4,358**	**19**
Net (decrease) in cash and cash equivalents		**(882)**	**(6,949)**
Cash and cash equivalents at beginning of year	11	3,779	10,776
Effect of foreign exchange rate changes		282	(48)
Cash and cash equivalents at end of year	**11**	**3,179**	**3,779**

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For the year ended 31 December 2016

Notes to the financial statements

1. Basis of preparation

The financial information have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and interpretations (collectively, "IFRS") issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs").

The financial information set out in this document does not constitute the Group's statutory accounts for the year ended 31 December 2015 or 31 December 2016.

Statutory accounts for the year ended 31 December 2015 have been filed with the Registrar of Companies and those for the year ended 31 December 2016 will be delivered to the Registrar in due course; both have been reported on by independent auditors. The independent auditors' reports on the Annual Report and Accounts for the year ended 31 December 2015 and 31 December 2016 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Going concern

The directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Adoption of new and revised standards

In the current year the Group has adopted all of the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as they have been adopted by the European Union, that are relevant to its operations and effective for accounting years beginning on 1 January 2016. None of the new standards adopted had a material impact on the Financial Statements of the Group.

New standards, amendments to standards and interpretations have been issued but are not effective (and in some cases had not yet been adopted by the EU) for the financial year beginning 1 January 2016. These have not been early adopted and the Directors are still considering the potential impact of IFRS9: Financial Instruments, IFRS15: Revenue from Contracts with customers and IFRS 16: Leases

2. Summary of significant accounting policies

The principal accounting policies adopted are set out below.

2.1 Basis of Consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from investee and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exits the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights

2. Summary of significant accounting policies *(continued)*

2.1 Basis of Consolidation (*continued*)

- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historical patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Foreign currencies

(a) Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency') which is UK Pound Sterling (£). The financial statements are presented in UK Pound Sterling (£), which is the Group's presentational 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 net profit or loss in the statement of comprehensive income.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

(c) Group companies

On consolidation the results of overseas operations are translated at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

2. Summary of significant accounting policies *(continued)*

2.2 Revenue recognition

Net revenues comprise amounts earned from B2C and B2B activities. B2B activities include revenues derived from the use of the Group's intellectual property in online gaming activities and revenues derived from the game and platform development and related services.

(a) B2C

Net revenue from 'business to consumer' ('B2C') activities represents the net house win, commission charged or tournament entry fees where the player has concluded his participation in a tournament. Net revenue is recognised in the accounting years in which the gaming transactions occur and is measured at the fair value of the consideration received or receivable, net of certain promotion bonuses and customer incentives.

(b) B2B

Revenue share and other services

Net revenue receivable from 'business to business' ('B2B') activities in respect of revenue share and other services comprises a percentage of the revenue generated by the contracting party from use of the Group's intellectual property in online gaming activities and from fees charged for services rendered. Net revenue is recognised in the accounting years in which the gaming transactions occur or the services are rendered.

Game and platform development

Net revenue receivable from B2B activities in respect of game and platform development comprises fees earned from development of games for customers for use on GAN's platforms and from the sale of platform software and related services.

Revenue in respect of game development, the sale of platform software and related hardware is recognised when certification for the game has been obtained or delivery has occurred and the fee is fixed, contractual or determinable and collectability is probable.

Services revenue principally relates to implementation services. Such services are generally separable from the other elements of arrangements. Revenue for such services is recognised over the period of the delivery of these services. Where an element of the fee is contingent on the successful delivery of the implementation project the revenue is not recognised until such time that it is probable that the requirements under that specific contract will be met.

Simulated Gaming

Net revenue in respect of Simulated Gaming is recognised upon completion of purchase. Simulated gaming involves customers purchasing virtual credits at fixed price levels in order to experience established casino games in an online environment. Players are unable to monetise their virtual balances and revenues are recognised at the point of purchase and are non-refundable.

2. Summary of significant accounting policies *(continued)*

2.3 Gross income from gaming operations and services

In order to provide further information to readers of the financial statements and in particular to give an indication of the extent of transactions that have passed through the Group's systems, the statement of comprehensive income discloses gross income from gaming operations and services arising through the use of the Group's intellectual property in online gaming activities, which represents the total income of the Group, together with that derived by its contracting parties where the Group supplies its software directly to the online operator. This line item does not represent the Group's revenue for the purposes of IFRS income recognition.

2.4 Distribution costs

Distribution costs represent the costs of delivering the service to the customer and primarily consist of technology infrastructure, promotional and advertising together with gaming and regulatory testing all of which are recognised on an accruals basis, and depreciation and amortisation.

2.5 Administrative expenses

Sales and administrative expenses consist primarily of staff costs, corporate and professional expenses, all of which are recognised on an accruals basis, and impairment charges.

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

2.6 Intangible assets

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

The significant intangibles recognised by the Group with their useful economic lives are as follows:

Licences and trademarks	Shorter of licence term or 10 years
Brand Assets	3 years

Internally generated intangible assets (development costs)

Expenditure incurred on development activities including the Group's software development and related overheads is capitalised only where the expenditure will lead to new or substantially improved products, the products are technically and commercially feasible and the Group has sufficient resources to complete development.

Capitalised development costs are amortised over the years the Group expects to benefit from selling the products developed which is typically three to five years. The amortisation expense is included within the distribution cost line in the consolidated statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

Subsequent expenditure on capitalised intangible assets is capitalised only where it clearly increases the economic benefits to be derived from the asset to which it relates. All other expenditure, including that incurred in order to maintain an intangible assets current level of performance, is expensed as incurred.

2. Summary of significant accounting policies *(continued)*

2.7 Property, plant and equipment

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Fixtures, fittings, equipment and leasehold improvements	20% - 33% straight line

Subsequent expenditures are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated statement of comprehensive income.

2.8 Impairment of property, plant and equipment and intangible assets

At each statement of financial position date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less disposal costs and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

2.9 Financial instruments

Financial assets and financial liabilities are recognised on the Group’s statement of financial position when the Group becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

2. Summary of significant accounting policies *(continued)*

2.9 Financial instruments *(continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term highly liquid investments that have maturities of three months or less from inception, are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Classification of shares as debt or equity instruments

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability. An equity instrument is a contract that evidences a residual interest in assets or an entity after deducting all of its liabilities. Accordingly, a financial instrument is treated as equity if:

- There is no contractual obligation to deliver cash or other financial asset or to exchange financial assets or liabilities on terms that maybe unfavourable, and

- The instrument is a non-derivative that contains no contractual obligation to deliver a variable number of shares or is a derivative will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company’s own equity instruments.

Equity instruments issued by the Group are recorded at the time the proceeds are received, net of direct issue costs.

Trade and other payables

Trade payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the ‘effective interest rate’ to the carrying amount of the liability.

2.10 Current and deferred tax

Taxation represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Research and development tax

Research and development taxation relief is recognised once management considers it probable that any amount claimable will be received.

2. Summary of significant accounting policies *(continued)*

2.10 Current and deferred tax *(continued)*

Deferred tax

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred tax asset or liability is realised or settled.

2.11 Operating leases

All leases held by the Group are operating leases and, as such, are charged to the statement of comprehensive income on a straight-line basis over the lease term. Rent free periods or other incentives received for entering into a lease are accounted for over the lease term, so as to spread the benefit received.

2.12 Share-based payments

The Group issues equity settled share-based payments to certain employees (including Directors).

Equity settled share-based payments are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, based upon the Group's estimate of equity instruments that will eventually vest, along with a corresponding increase in equity. At each statement of financial position date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

The fair value of share options is determined using a Black Scholes model, taking into consideration management's best estimate of the expected life of the option and the estimated number of shares that will eventually vest. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk Management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates financial risks in close co-operation with the Group's operating segments. The Board provides principles for overall risk management, as well as policies covering specific areas, such as, interest rate risk, non-derivative financial instruments and investment of excess liquidity.

3.2 Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

3.3 Contractual risk

In the ordinary course of business the Group contracts with various parties. These contracts may include performance obligations, indemnities and contractual commitments. Management monitors the performance of the Group and any relevant counterparties against such contractual conditions to mitigate the risk of material, adverse non-compliance.

3.4 Credit risk

Credit risk is the financial loss to the Group if a customer or counterparty to financial instruments fails to meet its contractual obligation. Credit risk arises from the Group's cash and cash equivalents and receivables balances.

3.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group's prudent liquidity risk management and implies maintaining sufficient cash. Management monitors rolling forecasts of the Group's liquidity and cash and cash equivalents on the basis of expected cash flow.

3.6 Capital risk management

The Group's capital structure is comprised entirely of the share capital and accumulated reserves.

The Group's objective when managing capital is to maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term. The capital structure of the Group is managed and adjusted to reflect changes in economic conditions.

The Group funds its expenditures on commitments from existing cash and cash equivalent balances. There are no externally imposed capital requirements.

Financing decisions are made by the Board of Directors based on forecasts of the expected timing and level of capital and operating expenditure required to meet the Group's commitments and development plans.

3.7 Fair value estimation

The carrying value less impairment provision of trade and other receivables and payables are assumed to approximate their fair values because of the short term nature of such assets and the effect of discounting liabilities is negligible.

3. Financial risk management (see also note 15) *(continued)*

3.8 Critical accounting estimates and judgements

The preparation of consolidated financial statements under IFRS as adopted by the EU requires the Group to make estimates and judgments that affect the application of policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Reference is made in this note to accounting policies which cover areas that the Directors consider require estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. These policies together with references to the related notes to the financial statements can be found below:

	Note
Revenue recognition	4
Capitalisation and impairment of internally generated intangible assets	9
Taxation	8

4. Net revenue

	Year ended 31 December 2016 £'000	**Year ended 31 December 2015 £'000**
B2C	409	592
B2B		
—Game and platform development	2,226	1,241
—Revenue share and other revenue	5,168	4,178
Total B2B	7,394	5,419
	7,803	6,011

5. Segmental information

Information reported to the Group's Chief Executive, the strategic chief operating decision-maker, for the purposes of resource allocation and assessment of the Group's segmental performance is primarily focused on the origination of the revenue stream. The Group's operating segments under IFRS 8 are therefore as follows:

- Business to business ("B2B")
- Business to consumer ("B2C")

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

Year ended 31 December 2016	**B2C £'000**	**B2B £'000**	**Total £'000**
Net revenue	409	7,394	7,803
Distribution costs (excluding depreciation and amortisation)	(305)	(3,127)	(3,432)
Segment result	104	4,267	4,371
Administration expenses			(5,602)
Depreciation on property, plant and equipment			(375)
Amortisation of intangible assets			(3,203)
Impairment of intangible assets			(411)
Finance income			21
Loss before taxation			(5,199)
Tax credit/ (charge)			1,440
Loss for the year after taxation			(3,759)

5. Segmental information *(continued)*

Year ended 31 December 2015	B2C £'000	B2B £'000	Total £'000
Net revenue	592	5,419	6,011
Distribution costs (excluding depreciation and amortisation)	(461)	(2,684)	(3,145)
Segment result	131	2,735	2,866
Administration expenses			(6,250)
Depreciation on property, plant and equipment			(444)
Amortisation of intangible assets			(1,795)
Finance income			19
Loss before taxation			(5,604)
Tax credit/(charge)			582
Loss for the year after taxation			(5,022)

The accounting policies of the reportable segments follow the same policies as described in note 2. Segment result represents the gross profit earned by each segment without allocation of the share of administration costs including Directors' salaries, finance costs and income tax expense. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

Administration expenses comprise principally the employment and office costs incurred by the Group.

Segment assets and liabilities

Assets and liabilities are not separately analysed or reported to the Group's Chief Executive and are not used to assist in decisions surrounding resource allocation and assessment of segment performance. As such, an analysis of segment and liabilities has not been included in this financial information.

Geographical analysis of revenues

This analysis is determined based upon the location of the legal entity of the customer.

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
UK and Channel Islands	574	1,080
Italy	2,015	1,340
Netherlands	-	60
USA	4,955	2,991
Australia	259	420
Rest of the World	-	120
	7,803	6,011

5. Segmental information *(continued)*

Information about major customers

During the year ended 31 December 2016 the Group had one customer which generated revenue greater than 10% of total net revenue. This customer generated revenue of £1,058,900 representing 14% of net revenue, all of which was within the B2B segment.

During the year ended 31 December 2015 the Group had two customers which generated revenue greater than 10% of total net revenue. These customers generated revenue of £2,001,000 representing 33% of net revenue (of which the largest customer generated £1,069,000), all of which was within the B2B segment.

Geographical analysis of non-current assets

	At 31 December 2016 £'000	At 31 December 2015 £'000
UK and Channel Islands	6,581	6,308
USA	493	298
Other	8	18
	7,082	6,624

6. Operating (loss)

6.1 Operating (loss) has been arrived at after charging:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Staff costs	3,450	3,646
Auditor's remuneration:		
Audit	55	55
Taxation	-	-
Others	5	5
Amortisation of intangibles	3,203	1,801
Depreciation on property, plant and equipment	375	438
Foreign exchange (gains)/losses	(408)	23
Rent payable under operating leases	299	325
Employee share-based payment charge	157	11
Loss on disposal of fixed assets (note 10)	77	-

Staff costs and Rent payable under operating leases charged to the income statement, as shown in the table above are less amounts capitalised in the year of £3,647,943 (2015: £3,681,165) as part of capitalised development costs reflected within note 10 of the financial statements.

Total wages and salaries related to research and development was £3,889,892 (2015: £3,535,163) of which £2,990,201 (2015: £2,849,623) was capitalised.

6.2 Exceptional costs

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Compensation for loss of office, redundancy and compromise costs, together with associated legal expenses	4	213
Key management relocation costs	51	131
Other exceptional costs	87	11
	142	355

7. Finance income

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Interest receivable	21	19

8. Taxation

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Current tax (credit)	(1,950)	(582)
Deferred tax charge	510	-
Tax (credit) on loss on ordinary activities	(1,440)	(582)

Details of the deferred tax asset recognised are as set out below:

	At 31 December 2016 £'000	At 31 December 2015 £'000
At the beginning of the year	510	510
De-recognition of asset during the year	(510)	-
At the end of the year	-	510

There was no deferred tax asset for the Group at 31 December 2016 (2015: £510,000) in respect of tax losses carried forward. Tax losses are recognised as a deferred tax asset by the Group when there is sufficient evidence that the amount will be recovered against foreseeable profits taking into account the loss for the period and sensitised forecast profits.

9. Intangible assets

	Brand Assets £'000	Development costs £'000	Licence costs £'000	Total Brand Assets, Development and Licence costs £'000
Cost				
At 31 December 2014	-	4,431	259	4,690
Additions	252	3,931	161	4,344
At 31 December 2015	252	8,362	420	9,034
Additions	-	4,322	157	4,480
Impairment	-	(675)	-	(675)
At 31 December 2016	252	12,010	577	12,839
Accumulated amortisation				
At 31 December 2014	-	1,631	32	1,663
Charge for the year	6	1,729	66	1,801
At 31 December 2015	6	3,360	98	3,464
Charge for the year	90	3,015	98	3,203
Impairment	-	(261)	-	(261)
At 31 December 2016	96	6,114	196	6,406
Net book value				
At 31 December 2014	-	2,800	226	3,026
At 31 December 2015	246	5,002	322	5,570
At 31 December 2016	156	5,896	381	6,433

Impairment losses of £412,000 were incurred during the year. These relate to the Solitaire Quest game project which was fully impaired due to management's revised expectation of future economic performance.

10. Property, plant and equipment

	Fixtures, fittings, equipment and leasehold improvements £'000
Cost	
At 31 December 2014	2,454
Additions	769
Asset Reclassification	(252)
At 31 December 2015	2,971
Additions	46
Disposals	(352)
At 31 December 2016	2,665
Accumulated depreciation:	
At 31 December 2014	1,649
Charge for the year	443
Asset Reclassification	(6)
At 31 December 2015	2,086
Charge for the year	375
Disposal	(275)
At 31 December 2016	2,186
Net book value	
At 31 December 2014	805
At 31 December 2015	884
At 31 December 2016	479

11. Cash and cash equivalents

	At 31 December 2016 £'000	At 31 December 2015 £'000
Cash in bank accounts	3,179	3,779

12. Trade and other payables

	At 31 December 2016 £'000	At 31 December 2015 £'000
Amounts falling due within one year		
Trade payables	1,600	1,880
Other taxation and social security	146	157
Other payables	170	238
Accruals and deferred income	1,079	956
	2,995	3,231

Non-current liabilities

	At 31 December 2015 £'000	At 31 December 2014 £'000
Accruals	160	231
Deferred consideration	61	119
	221	350

Accruals relate to the rent free period on the Group's leased properties and are spread over the term of the lease. The deferred consideration relates to amounts payable to acquire brand assets included in notes 10 and 11. Final payment of the deferred consideration is after one year but not later than five years.

13. Share capital

	Ordinary shares No.
Allotted, issued and fully paid	
At 31 December 2013	55,882,536
Issued during the year (i)	87,500
At 31 December 2015	55,970,036
Issued during the year (ii)	14,081,888
At 31 December 2016	70,051,924

	At 31 December 2016 £'000	At 31 December 2015 £'000
Ordinary shares	701	560

Issue of shares

(i) 87,500 ordinary shares of 1p each were issued at a premium of 21p during the year ended 31 December 2015 to settle vested options.

(ii) 9,331,888 ordinary shares of 1p each were issued at a premium of 27p during the year ended 31 December 2016 generating gross proceeds of £2,612,000

(iii) 1,500,000 ordinary shares of 1p each were issued at a premium of 29p during the year ended 31 December 2016 generating gross proceeds of £450,000.

(iv) 3,250,000 ordinary shares of 1p each were issued at a premium of 39p during the year ended 31 December 2016 generating gross proceeds of £1,300,000

14. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the company by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has issued share options and a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price for the period) based on the monetary value of the subscription rights attached to the outstanding share options. All share options are anti-dilutive at the current and prior year reporting dates and the number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

14. Earnings per share (continued)

	Year ended 31 December 2016 Pence	Year ended 31 December 2015 Pence
Basic	(5.81)	(8.99)
Diluted	(5.81)	(8.99)

Earnings	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
(Loss) for the year	(3,759)	(5,022)

Denominator—basic	Year ended 31 December 2016 Number	Year ended 31 December 2015 Number
Weighted average number of equity shares	64,647,746	55,886,105
Weighted average number of equity shares for diluted EPS	64,647,746	55,886,105

15. Subsequent events

On 10th April 2017, the Board announced it had raised £2 million by way of a conditional Placing and Open Offer of 9% Convertible Unsecured Loan Notes 2022. The Board determined there exists a requirement for additional capital in order that the Company has available to it suitable financial resources to respond to the opportunities potentially available to the Company in newly regulated intra-State Internet gaming markets in the United States, currently specifically in Pennsylvania, together with the opportunity to commence a US patent licensing program and other general working capital purposes.