GAN plc

2017 Annual Results

LSE: GAN ISE: GAME

Maiden full year clean EBITDA profit

London & Dublin | March 29, 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, 2017.

Financial Overview

- Gross Income of £41.1m (2016: £31.7m) an increase of 30% on 2016
- Net Revenue of £9.1m (2016: £7.8m) an increase of 17% on 2016
- Clean EBITDA[1] profit of £0.5m (2016: loss of £0.9m)
- Loss before tax of £4.2m (2016: £5.2m) and loss per share of £0.05 (2016: £0.06)
- Loss after tax of £3.5m (2016: £3.8m)
- Cash and cash equivalents at the end of the year of £2.7m (2016: £3.2m)
- Net Assets at the end of the year of £7.6m (2016: £10.9m)
- Raised £2m in April 2017 through an unsecured 9% convertible loan note

Strategic & Operating Developments

- Launched Simulated Gaming™ in the US for five new US casino clients (2016: three)
- Signed two US casino clients for real money Regulated Gaming in New Jersey and European markets, respectively
- Regulation of Internet gaming in Pennsylvania completed October 30, 2017 becoming the fourth US State to regulate Internet gaming
- Continued delivery of Betfair's fast-growing New Jersey Internet casino business BetfairCasino.com supported by GAN's Internet gaming platform, content & supporting services
- GAN's US patent number 8,821,296 ("Patent") for linking a patron's rewards account to their Internet gaming account successfully licensed for real money Internet gaming for the third time to a US casino in New Jersey
- Continued investment in US infrastructure: licensing, offices and people
- Post period end preparations underway for GAN to launch Parx Casino in Pennsylvania for Internet gaming with the Pennsylvanian Internet gaming market anticipated to commence in H2 2018
- Post period end strategic relationship with SBTECH for delivery of Internet sports betting to selected existing and new US clients, conditional on the Supreme Court of the US repealing in full or part the long-standing Federal US ban on sports betting outside the State of Nevada
- The Company monitors its financing on an ongoing basis and, post period end, having noted in particular the regulatory developments in respect of real money Internet gaming in the US, is currently considering options to enable it to respond to the opportunity that it considers these developments represent

Dermot Smurfit, CEO of GAN commented:

"2017 saw GAN deliver its first full year of positive EBITDA since 2013 following a lengthy investment cycle to position GAN as a market leader in the US casino Industry delivering Internet gaming solutions for real money Regulated Gaming and Simulated Gaming which is deployed in advance of regulation. GAN's performance to date in 2018 is in line with our expectations.

GAN has continued to position its business to capture growth in emerging online gaming markets in the US. 2017 saw significant progress with the launch of five new clients of Simulated Gaming™, together with a number of significant commercial and strategic developments the most significant of these was the passage into law of legislation on October 30, 2017 permitting 12.8m Pennsylvanian residents to play real money Internet casino games starting in H2 2018. GAN's client of Simulated Gaming in Pennsylvania, Parx Casino, is the largest single casino property by market share in Pennsylvania. Parx has engaged GAN to start the long-anticipated preparatory works to launch its real money Internet gaming website from GAN's GameSTACK™ Internet gaming system, previously deployed by GAN on-property. GAN is positioned for substantial growth in regulated real-money Internet gaming in the US following the commencement of Pennsylvania's Internet gaming market.

New Jersey's Internet gaming market out-performed our full year expectations with gross gaming revenues up 30% year on year to $246m while we won our second client for New Jersey real money Internet gaming currently anticipated to launch in H1 2018. We are increasingly confident in the long-term prospects for intra-State real-money gaming in the US and believe Pennsylvania may now serve as a catalyst for other US States to regulate Internet gaming and, in the event the US Supreme Court ruling lifts the long-standing Federal ban, the incremental opportunity of Internet sports betting.

The States of Michigan and New York also appears to be in the process of regulating Internet gaming with a number of legislative bills actively considered in 2017 of which derivative bills are expected to be the subjects of legislative action in 2018. GAN has been selected as the exclusive platform for Simulated Gaming™ for three clients with casino properties located in either Michigan or New York and is positioned for substantial growth in regulated real-money gaming should suitable legislation be enacted in 2018.

Throughout 2017 GAN's Simulated Gaming™ enterprise solution continued to prove its ability to support the core on-property gaming business of US casino clients. 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 increases on-property gaming rather than cannibalising it. GAN's Simulated Gaming is proven 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.

Simulated Gaming™ continues to represent a significant US market opportunity 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. 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™ revenues by delivering enhanced patron marketing.

GAN's US Patent for linking US casino patrons' rewards account to their Internet gaming account held within an Internet gaming system (marketed as the iBridge Framework™) withstood an ex parte challenge in 2017 and was re-confirmed as valid by the US Patent Office in H1 2017. GAN's Patent licensing program has made substantial progress in H2 2017 by placing diverse US casino operators on notice of GAN's US-patented Intellectual property rights and inviting commercial licensing discussions which are ongoing. We remain highly confident in the significant strategic value to GAN of this Patent which has now been licensed three times for real money Internet gaming in the States of Pennsylvania and New Jersey as well as thirteen times for Simulated Gaming nationwide.

We also remain confident in our prospects for 2018 and beyond. For 2018, we forecast material growth of both Simulated Gaming™ and real money Internet gaming undertaken for US clients in New Jersey, Pennsylvania and Europe's diverse regulated markets. Our US Patent licensing program which commenced in H2 2017 may also represent a new source of patent licensing revenues for GAN in 2018 and beyond.

We believe your Company has developed considerable momentum in the US market and that the Company is well-positioned to secure additional profitable opportunities from incremental US States which regulate 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 reflects the underlying performance of the business, and excludes non recurring and significant non cash items.

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 March 29, 2018 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:

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Chairman's Report

Dear Fellow Shareholders

During the course of 2017 the Group expanded its market share in the United States, our key geographic market, by launching additional US land-based casinos as clients of either virtual currency-based Simulated Gaming™ or traditional real money regulated gaming conducted on an intra-State basis. In April 2017 the Group announced that it had successfully issued its first convertible loan note as a public company raising gross proceeds of £2m in loan capital to continue expansion of real-money regulated gaming and Simulated Gaming™ opportunities in the US and for working capital and general business development purposes.

As has been widely reported, regulated real money Internet gaming in New Jersey has been growing strongly. Our Group has executed well in delivering operationally for PaddyPower Betfair plc in New Jersey, earning 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. This reputation has translated into additional business secured in February 2017 for GAN in New Jersey with a major land-based New Jersey operator Ocean Resort Casino (formerly known as 'Revel Casino') nominating GAN as their future platform for regulated real money Internet gaming commencing in 2018.

Pennsylvania surprised the Industry by legislating for major gaming expansion in Autumn 2017, including the regulation of real money Internet gaming which will now commence in Pennsylvania in 2018. The Group has long-served the largest single casino operator in Pennsylvania, Parx Casino and looks forward to launching their real money Internet gaming business, subject to licencing.

Your Board of Directors believes there is a significant opportunity for Simulated Gaming™ in the United States. It has outperformed initial expectations and has become the centrepiece of the Group's growth strategy. We commercially launched five US casino clients throughout the year. Outside the United States, the Group extended its services agreement with a consortium of land-based gaming clubs in Queensland, Australia as clients of Simulated Gaming™ which is a market sharing many regulatory similarities to the US when it comes to Internet gaming.

We are excited about the prospects for Simulated Gaming and the performance we have achieved since its initial launch together with the increasingly compelling business case that Simulated Gaming, suitably integrated with land-based casino operators' loyalty programmes, greatly supports our clients' core business of on-property real money gaming. We are also confident in the long-term potential for real money regulated gaming, and Pennsylvania's recent adoption of legislation enabling Internet gaming may prove to be a significant catalyst for re-starting the US regulatory cycle.

Our consistent progress in 2017, with our core products of Simulated Gaming™ and regulated gaming in sustainable markets, in what was a year of continued investment for GAN as we developed both our real money regulated gaming and Simulated Gaming offering, would not have been possible without the dedicated and talented staff employed by the Group in London, Sofia and throughout the United States. I thank them for their continued efforts and believe the Group has become 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 four years building our US market position we are satisfied the Group is now recognised as a leading provider of enterprise-level online solutions to the land-based gaming industry in the United States and believe significant shareholder value will develop going forwards as New Jersey's regulated gaming market continues to grow, Simulated Gaming continues to be adopted by a portfolio of larger US casino operator clients and Pennsylvania's Internet gaming market commences.

Seamus McGill
Chairman, GAN plc

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Chief Executive Officer's report

Overview

GAN is now successfully established as a leading provider of enterprise-level Internet gaming technology solutions to major US casino operators securing significant US market share. 2017 was our fourth year of continued, and necessary, substantial investment opening the Group to major commercial opportunities including Ocean Resort Casino, our second client for real money regulated gaming in New Jersey, and Chickasaw Nation for Simulated Gaming and their Overseas Internet Casino WinStar.com, both expected to deliver shareholder value in future years.

Substantial continued 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 and Bulgaria 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 programmes.

Intra-State regulation of real money Internet gaming re-started with Pennsylvania passing legislation in October 2017 to permit Internet gaming, nearly four years after New Jersey's Internet gaming market commenced. Legislative actions also occurred in several other US States in 2017, which suggests the State-by-State regulation of Internet gaming may progress further in the US during the course of 2018. In the meantime, Simulated Gaming continued to materially outperform initial expectations and is positioned for significant profitable growth in 2018.

During the year the Group launched Simulated Gaming for five major US casinos located in the States of New York, New Jersey, Oklahoma and Nevada and signed an additional landmark deal with Ocean Resort Casino, a major casino property in Atlantic City formerly known as 'Revel Casino' which is expected to re-open as a casino in 2018 with a simultaneous launch of GAN's Internet casino integrated with the on-property rewards program in reliance upon GAN's US-patented convergence iBridge Framework™.

A multi-year extension for Simulated Gaming was agreed during the year with a consortium of casino operators in Queensland, Australia which have been operating Simulated Gaming focused on Australia since 2015. GAN and its clients stand to benefit from potential regulation of real money Internet gaming which since September 2017 became effectively prohibited as Australian gaming legislation was updated to criminalise the long-standing activities of offshore Internet gaming operators. While other International opportunities are being developed the Group's strategic focus remained firmly on the US market throughout 2017 emphasised by the relocation of selected key personnel from the UK to the US in order to better support the Group's activity in its key geographic market.

In New Jersey, the Group delivered strongly for Betfair's regulated Internet casino gaming website delivering over one hundred incremental games across desktop and mobile devices and consolidating BetfairCasino.com as a leading Internet casino brand 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 2017.

GAN's enterprise-level technology platform for Internet gaming is a scarce asset, managed by a 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 specialist technical requirements when compared with European markets. This positions GAN 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.

During the year, the Group achieved strong financial growth in recurring net revenues derived from the United States and the regulated Italian market driven primarily by Simulated Gaming nationwide across the US and from regulated real money Internet gaming in both New Jersey and Italy. Overall net revenue grew by 17% to £9.1m (2016: £7.8m).

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 principally human resource and licensing investment in relevant US States including New Jersey and Pennsylvania.

Chief Executive Officer's report *(continued)*

Aligned with the significant growth experienced in New Jersey's real money Internet gaming market the Group increased its focus on real money Internet gaming product development, enhancements and optimisations while continuing to roll-out additional new clients and product features for Simulated Gaming. The continued contribution of Simulated Gaming to our net revenue growth in 2017 supports the Group's internal focus on the US in delivering both real money Internet gaming and Simulated Gaming to as many major US casino properties as possible. Furthermore, the Group has received indications from collaborating clients that GAN's unique Simulated Gaming platform 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 discussions with casino equipment manufacturers in order to enable land based casino slots manufacturers to manage the distribution of their content online. 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 and with the recommencement of the regulatory cycle it appears possible that demand for a system sale may return, over time.

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 2017 with significant continued growth of the Group's mobile gaming portfolio in both HTML5 and native iOS and Android applications.

In Europe, the Group extended its market position in Italy with new clients integrated including Intralot Italia together with new content portfolios delivered via the Group's technical platform. Italy remains a crucial market for GAN as a comprehensively regulated Internet gaming market exhibiting continued organic growth throughout 2017 as a result of the regulation of Internet casino slots gaming in 2013.

Products

The Group's back office system iSight Back Office™ received continuing upgrades released throughout 2017 delivering a state-of-the-art back office player management capability 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 2017 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. Social gaming features including daily bonusing wheels, leaderboards, real time competition slot tournaments and experience points all launched in 2017 resulting in a significant increase in both monetisation and stickiness.

In 2017 the Group's research & development function developed a comprehensive machine learning framework for delivering predictive analytics to clients for both real money Internet gaming and Simulated Gaming. Analytics form a critical support for marketers in identifying high-value customers and maximising lifetime values and these capabilities have greatly enhanced the analytics tools already available within our iSight Back Office™ as well as the efficiency of marketers using these tools daily to drive their respective businesses.

Marketing and support services

Throughout 2017, 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 customers and growing through external user acquisition marketing and internal cross-sell marketing to existing patron databases and on-property 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 grow an online community extending beyond its existing audience of casino patrons.

Dermot Smurfit
Chief Executive Officer
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FINANCIAL AND OPERATIONAL REVIEW

Summary

Revenue has continued to grow in 2017 alongside which the Group has further developed its program of necessary investment and development for the future. The Group has made further 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 2017 with nine Casino operators in the US and Australia and added a further five operators in the first half of the year. Launches of WinStar World Resort & Casino, MGM's The Borgata, Oneida Nation's TurningStone Casino, Ocean Resort Casino and Station Casinos brings the total number of Simulated Gaming™ clients operational entering 2018 to thirteen. 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 continue to be a substantial proportion of the business and now account for 57% 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 82% 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 and now represent over 31% 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 capitalise on the immediate Simulated Gaming™ opportunity in the US market.

The Group has continued to rationalise its cost base through the opening of a new technical development office in Bulgaria. The introduction of additional technical resource in a lower cost location has enabled the Group to continue to enhance its delivery capability while reducing the underlying cost structure over time.

The Group reports gross income of £41.1m, a 30% increase from 2016. Net revenue for the year was £9.1m compared to £7.8m in the same period last year, an increase of 17%. Clean EBITDA profit of £0.5m compares positively to a Clean EBITDA loss in 2016 of £0.9m and a loss before taxation of £4.2m compares to a loss before taxation in the prior period of £5.2m. The loss after taxation of £3.5m reflects the expectation of a successful claim for research and development tax of £0.8m. This expectation is based on successful claims in respect of prior years, including £1.0m received in 2017 in relation to 2016. The 2017 value is lower due to lower development costs associated with the transition to Bulgaria.

The group ended the year with a cash balance of £2.7m compared to £3.2m for the year ended 31 December 2016 and net assets at 31 December 2017 of £7.6m compared to £10.9m in the previous year. 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.

Revenue

Gross income from gaming operations and services increased by 30% to £41.1m in 2017. Gross income is a non GAAP measure that gives an indication of the extent of transactions that have passed through the Group's systems.

Net revenue for the year of £9.1m has increased by 17% and is £1.3m higher than the net revenue generated in the previous year of £7.8m.

Real Money Gaming (RMG) revenues have increased by £0.3m, with the associated development fees reduced by £0.3m and revenue share increased by £0.6m. Simulated Gaming™ development fees again reduced year-on-year by £0.3m, while revenue share increased by £1.3m (54%) resulting in an overall 31% increase in this segment.

The increase in revenue share has been driven by the regulated gaming markets in New Jersey and Italy and by Simulated Gaming™ where the Company now has thirteen casinos operational, of which five launched in H1 2017.

FINANCIAL AND OPERATIONAL REVIEW *(continued)*

Expenses

Distribution costs include royalties payable to third parties, direct marketing expenditure and the direct costs of operating the hardware platforms deployed across the business which in total increased from £7.4m to £8.0m for the year ended 31 December 2017. The increase is due primarily to 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 2017 of £5.5m, £0.1m less than those incurred in 2016. This is despite foreign exchange losses of £0.2m contributing to costs as a result of the weakening of the US dollar during the year.

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 reflects the underlying performance of the business, and excludes non recurring and significant non cash items as disclosed in note 6. The Directors regard Clean EBITDA as a reliable measure of profits that is not unduly subjective.

Clean EBITDA profit of £0.5m in 2017 compares to a clean EBITDA loss of £0.9m in 2016 reflecting the impact of continued investment in the underlying delivery and product capability.

Cashflow

The cash balance at 31 December 2017 was £2.7m compared to £3.2m in 2016, a reduction of £0.5m. During the year the Group has continued to invest in the underlying Internet Gaming System deployment and product capability. The Group raised gross proceeds of £2.0m through a convertible loan note issue which together with operating cash inflow of £1.2m partially offset expenditure of £3.5m 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 £5m in 2016 to £2m in 2017.

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:

	2017	**2016**
	£000	**£000**
Gross income from gaming operations and services	41,075	31,675
Net revenue	9,120	7,803
Clean EBITDA	454	(932)
Loss before taxation	(4,216)	(5,199)
Loss after taxation	(3,478)	(3,759)
Net assets	7,579	10,940
Cash and cash equivalents	2,746	3,179

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 both Simulated Gaming™ and real money Internet gaming, business segment profitability and geographic split of turnover.

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For the year ended 31 December 2017

Consolidated statement of comprehensive income

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Continuing Operations			
Gross income from gaming operations and services	2.3	41,075	31,675
Net revenues	4	**9,120**	**7,803**
Distribution costs		(7,996)	(7,423)
Administrative expenses		(5,526)	(5,600)
Profit on sale of intangible assets		303	-
Total operating costs		(13,219)	(13,023)
Clean EBITDA		454	(932)
Depreciation	10	(379)	(375)
Amortisation of intangible assets	9	(3,851)	(3,203)
Impairment of intangible assets		(168)	(411)
Exceptional costs	6	(341)	(142)
Profit on sale of intangible assets	6	303	-
Employee share-based payment charge		(117)	(157)
Operating (loss)	6	(4,099)	(5,220)
Finance (costs)/income	7	(117)	21
(Loss) before taxation		(4,216)	(5,199)
Tax credit	8	738	1,440
(Loss) for the year attributable to owners of the Group and total comprehensive income for the year		(3,478)	(3,759)
Earnings per share attributable to owners of the parent during the year			
Basic (pence)	14	(4.96)	(5.81)
Diluted (pence)	14	(4.96)	(5.81)

Clean EBITDA is a non GAAP company specific measure and excludes interest, tax, depreciation, amortisation, share based payment expenses, certain non cash transactions and other items which the directors consider reflects the underlying performance of the business, and excludes non recurring and significant non cash items. Where not explicitly mentioned, EBITDA refers to EBITDA from continuing operations.

Gross income from operations and services is a non GAAP company specific measure and is defined in note 2.3.

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For the year ended 31 December 2017

Consolidated statement of financial position

	Notes	At 31 December 2017 £'000	At 31 December 2016 £'000
Non-current assets			
Intangible assets	9	5,871	6,433
Property, plant and equipment	10	374	479
Lease deposits		-	170
		6,245	7,082
Current assets			
Trade and other receivables		2,874	2,834
Research & Development tax credit receivable		795	1,061
Lease deposits		192	-
Cash and cash equivalents	11	2,746	3,179
		6,607	7,074
Total assets		**12,852**	**14,156**
Current liabilities			
Trade and other payables	12	3,061	2,995
Total current liabilities		3,061	2,995
Non-current liabilities			
Convertible bond		2,001	221
Other payables	12	211	221
Total non-current liabilities		2,212	221
Equity attributable to equity holders of parent			
Share capital	13	701	701
Share premium account		18,809	18,809
Retained (deficit)/ earnings		(11,931)	(8,570)
		7,579	10,940
Total equity and liabilities		**12,852**	**14,156**

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For the year ended 31 December 2017

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Retained (deficit)/ earnings £'000	Total equity £'000
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**
Loss and total comprehensive income for the year	-	-	(3,478)	(3,478)
Employee share-based payment charge	-	-	117	117
At 31 December 2017	**701**	**18,809**	**(11,931)**	**7,579**

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 2017

Consolidated statement of cash flows

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Cash flow from operating activities			
(Loss) for the year after taxation		(3,478)	(3,759)
Adjustments for:			
Amortisation of intangible assets	9	3,851	3,203
Impairment of intangibles	9	168	412
Depreciation of property, plant and equipment	10	379	375
Loss on disposal of fixed asset	10	-	77
(Profit) on disposal of intangible fixed asset		(303)	-
Share based payment expense		117	157
Tax credit	8	(738)	(1,440)
Finance expense (income)	7	117	(21)
Foreign exchange		87	(408)
Operating cash flow before movement in working capital and taxation		**200**	**(1,404)**
Decrease/(increase) in trade and other receivables		(62)	(566)
Increase/(decrease) in trade and other payables		(277)	(236)
Taxation		1,004	1,471
Net cash flows from operating activities		**865**	**(735)**
Cash flow from investing activities			
Interest received		5	21
Sale of intangible fixed assets		303	-
Purchase of intangible fixed assets	9	(3,457)	(4,480)
Purchases of property, plant and equipment	10	(63)	(46)
Net cash used in investing activities		**(3,212)**	**(4,505)**
Cash flow from financing activities			
Proceeds on issue of shares	13	-	4,358
Proceeds from loan		2,001	-
Net cash generated from financing activities		**2,001**	**4,358**
Net (decrease) in cash and cash equivalents		**(346)**	**(882)**
Cash and cash equivalents at beginning of year	11	3,179	3,779
Effect of foreign exchange rate changes		(87)	282
Cash and cash equivalents at end of year	**11**	**2,746**	**3,179**

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For the year ended 31 December 2017

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 2016 or 31 December 2017.

Statutory accounts for the year ended 31 December 2016 have been filed with the Registrar of Companies and those for the year ended 31 December 2017 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 2016 and 31 December 2017 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.

The directors have assessed the financial risks facing the business, and compared this risk assessment to the net current assets position and dividend policy. The directors have also reviewed relationships with key customers and software providers and are satisfied that the appropriate contingency plans are in place. The directors have prepared forecasts to assess whether the Group has adequate resources for the foreseeable future.

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 2017. None of the new standards adopted had a material impact on the Financial Statements of the Group.

New accounting standards in issue but not yet effective
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 2017. The following new standards and amendments have been reviewed by the Directors:

IFRS 15 'Revenue from Contracts with Customers' – is effective for periods beginning on or after 1 January 2018. The standard establishes a principles based approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied and the control of goods or services is transferred. Management has performed an assessment of the impact of IFRS 15 at a contract level and does not expect any material impact on the timing of revenue recognition for revenue share as a result of adopting this standard. Management are finalising their review of development revenues, which in 2017 comprised 20% of net revenues.

IFRS 9 'Financial Instruments' – adopting IFRS 9 will impact receivables provisioning as it moves from an incurred to an expected loss model. The Group's largest exposure is trade receivables, which had a gross value of £2,005k at 31 December 2017, where the new model could impact the timing and value of provision recognition. Management do not expect any material impact from implementation of the new standard.

IFRS 16 'Leases' – was issued on 13 January 2016 and is effective for periods beginning on or after 1 January 2019. The standard represents a significant change in the accounting and reporting of leases for the lessees as it provides a single lessee accounting model. As such it requires lessees to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. The standard may also require the capitalisation of a lease element of contracts held by the Group which under the existing accounting standard would not be considered a lease.

On adoption, lease agreements will give rise to both a right of use asset and a lease liability for future lease payments. Depreciation of the right of use asset will be recognised in the income statement on a straight-line basis, with interest recognised on the lease liability. This will result in a change to the profile of the net charge taken to the income statement over the life of the lease. These charges will replace the lease costs currently charged to the income statement.

The Group continues to assess the full impact of IFRS 16, however, the impact will greatly depend on the facts and circumstances at the time of adoption. It is therefore not yet practical to provide a reliable estimate of the financial impact on the Group's consolidated results.

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
- 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, website and platform development

Net revenue receivable from B2B activities in respect of game, website 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 and website 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:

Licenses and trademarks	Shorter of license 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. Operating lease costs relating to rent are apportioned on a per head basis and where this headcount is capitalised, cost is capitalised in line with the Group's capitalization policy.

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

Revenue recognition

The Group applies judgement in determining whether it acts as principal or agent where it provides services through its B2B operations. In making these judgements, the Group gives consideration to the contractual terms of each arrangement and consequently which party has the primary responsibility for providing the services and is exposed to the majority of the risks and rewards associated with providing the services. Game development and the sale of platform software is recognised when the Group has met its contractual obligations which is typically on customer acceptance or upon receipt of certification. Simulated Gaming™ revenues are recognised when a player deposits into the gaming system and not on gameplay. Further detail on this can be found in note 2.2.

The Group has recognised one-off revenue amounting to £758k (2016:£0) for the development of Overseas Internet Casino. This was delivered in H2 2017 and available in regulated European markets. The Group believes that this treatment is consistent with accounting standards and revenue recognition policies and is consistent with the stand-alone selling price of the transaction. This development also represents a separate and distinct performance obligation to any ongoing contractual obligations.

Capitalisation and impairment of internally generated intangible assets

The Group reviews expenditure incurred on development activities and assesses whether the expenditure meets the capitalisation criteria set out in IAS 38 and note 2.6. The Group specifically considers if additional expenditure on projects relate to maintenance or new development projects. The Group tests annually whether its assets have suffered any impairment. Further details of the Group's accounting policy in relation to impairment are disclosed in note 2.8.

The application of the policy requires the use of accounting estimates and judgements in determining the recoverable amount of cash-generating units to which the intangible assets are associated. The recoverable amount is represented by the fair value, or value in use. Value in use is calculated using estimated cash flow projections from financial budgets, discounted by selecting an appropriate rate for each cash-generating unit.

Taxation

Deferred tax assets are recognised to the extent that it is probable future taxable profits will be available against which the temporary differences can be utilised. The key area of judgement is therefore an assessment of whether it is probable that there will be suitable taxable profits against which any deferred tax assets can be utilised. Further details of deferred tax assets recognised are disclosed in note 8.

Research and development tax relief is recognised as an asset once it is considered that there is sufficient assurance that any amount claimable will be received. The key judgement therefore arises in respect of the likelihood of a claim being successful when a claim has been quantified but has not been received. In making this judgement the Group considers the nature of the claim and in particular the track record of success of previous claims.

4. Net revenue

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
RMG		
—Game, website and platform development	1,300	1,631
—Revenue share and other revenue	3,714	3,114
SIMGAM		
—Game, website and platform development	311	595
—Revenue share and other revenue	3,795	2,463
	9,120	7,803

As disclosed in note 5 below, the Group has changed its operating segments in the financial year, the net revenue disclosure has been updated to align to this change in operating segments, which has resulted in the comparative period information being restated.

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:

- Real money gaming operations "RMG"
- Simulated gaming operations "SIMGAM"

Segment revenues and results

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

Year ended 31 December 2017	RMG £'000	SIMGAM £'000	Total £'000
Net revenue	5,014	4,106	9,120
Distribution costs (excluding depreciation and amortisation)	(2,403)	(1,195)	(3,598)
Segment result..........	2,611	2,911	5,522
Administration expenses..........			(5,526)
Depreciation on property, plant and equipment			(379)
Amortisation of intangible assets..........			(3,851)
Impairment of intangible assets			(168)
Net finance cost..........			(117)
Loss before taxation..........			(4,216)
Tax credit/ (charge)..........			738
Loss for the year after taxation			(3,478)

5. Segmental information *(continued)*

Year ended 31 December 2016	RMG £'000	SIMGAM £'000	Total £'000
Net revenue	4,745	3,058	7,803
Distribution costs (excluding depreciation and amortisation)	(2,077)	(1,357)	(3,434)
Segment result	2,668	1,701	4,369
Administration expenses			(5,600)
Depreciation on property, plant and equipment			(375)
Amortisation of intangible assets			(3,203)
Impairment of intangible assets			(411)
Net finance income			21
Loss before taxation			(5,199)
Tax credit/(charge)			1440
Loss for the year after taxation			(3,759)

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 2017 £'000	Year ended 31 December 2016 £'000
UK and Channel Islands	1,047	574
Italy	2,825	2,015
USA	5,174	4,955
Rest of the World	74	259
	9,120	7,803

5. Segmental information *(continued)*

Information about major customers

During the year ended 31 December 2017 the Group had one customer which generated revenue greater than 10% of total net revenue. This customer generated revenue of £988,909 representing 11% of net revenue, all of which was within the RMG segment.

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 RMG segment.

Geographical analysis of non-current assets

	At 31 December 2017 £'000	At 31 December 2016 £'000
UK and Channel Islands	5,900	6,576
USA	328	493
Bulgaria	17	5
Other	-	8
	6,245	7,082

6. Operating (loss)

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

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Staff costs	3,218	3,450
Auditor's remuneration:		
Audit	70	55
Others	10	5
Amortisation of intangibles	3,851	3,203
Depreciation on property, plant and equipment	379	375
Impairment of intangible assets	(168)	-
Foreign exchange (gains)/losses	174	(408)
Rent payable under operating leases	341	299
Employee share-based payment charge	117	157
Profit on sale of intangible assets	(303)	-
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 £3,150,211 (2016: £3,647,943) as part of capitalised development costs reflected within note 10 of the financial statements.

Total wages and salaries related to research and development was £3,217,577 (2016: £3,889,892) of which £2,513,450 (2016: £2,990,201) was capitalised.

Intellectual property with a net book value of £nil was sold for £303,000.

6.2 Exceptional costs

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Compensation for loss of office, redundancy and compromise costs, together with associated legal expenses	320	4
Key management relocation costs	-	51
Costs associated to bond issue	14	-
Other exceptional costs	7	87
	341	142

During the year the Group restructured certain operations which resulted in redundancy costs totaling £320,000.

7. Finance income and (costs)

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Interest payable	(122)	-
Interest receivable	5	21

Interest payable is in respect of outstanding payments owed on the issued 9% convertible bond.

8. Taxation

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Current tax (credit)	(738)	(1,950)
Deferred tax charge	-	510
Tax (credit) on loss on ordinary activities	(738)	(1,440)

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

	At 31 December 2017 £'000	At 31 December 2016 £'000
At the beginning of the year	-	510
De-recognition of asset during the year	-	(510)
At the end of the year	-	-

There was no deferred tax asset for the Group at 31 December 2017 (2016: £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 2015	252	8,362	420	9,034
Additions	-	3.648	157	3,805
At 31 December 2016	252	12,010	577	12,839
Additions	46	3,378	33	3,457
Impairment	-	(272)	-	(272)
At 31 December 2017	298	15,116	610	16,034
Accumulated amortisation				
At 31 December 2015	6	3,360	98	3,464
Charge for the year	90	2,754	98	2,942
At 31 December 2016	96	6,114	196	6,406
Charge for the year	91	3,646	114	3,851
Impairment	-	(104)	-	(104)
At 31 December 2017	187	9,656	310	10,153
Net book value				
At 31 December 2015	246	5,002	322	5,570
At 31 December 2016	156	5,896	381	6,433
At 31 December 2017	111	5,460	300	5,871

Impairment losses of £168,000 (2016: £412,000) were incurred during the year. These relate to the cancelling of the SIMGAM partner contract with American Casino & Entertainment Properties in November 2017, which relates to the US IGS category and was calculated at its net book value and impaired in full.

10. Property, plant and equipment

	Fixtures, fittings, equipment and leasehold improvements £'000
Cost	
At 31 December 2015	2,971
Additions	46
Disposal	(352)
At 31 December 2016	2,665
Additions	274
Disposals	(9)
At 31 December 2017	2,930
Accumulated depreciation:	
At 31 December 2015	2,086
Charge for the year	375
Disposal	(275)
At 31 December 2016	2,186
Charge for the year	379
Disposal	(9)
At 31 December 2017	2,556
Net book value	
At 31 December 2015	885
At 31 December 2016	479
At 31 December 2017	374

11. Cash and cash equivalents

	At 31 December 2017 £'000	At 31 December 2016 £'000
Cash in bank accounts	2,746	3,179

12. Trade and other payables

	At 31 December 2017 £'000	At 31 December 2016 £'000
Amounts falling due within one year		
Trade payables	1,881	1,600
Other taxation and social security	144	146
Other payables	265	170
Loan interest	121	-
Accruals and deferred income	650	1,079
	3,061	2,995

Non-current liabilities

	At 31 December 2017 £'000	At 31 December 2016 £'000
Accruals	-	160
Convertible bond	2,001	-
Finance lease liability	211	-
Deferred consideration	-	61
	2,212	221

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 note 9.

In April 2017, the Group raised £2m following issue of 2,001,483 £1 Convertible Unsecured loan notes. The loan notes have an interest rate of 9% payable quarterly in arrears from 1 January 2018, with redemption in April 2022. During the period interest of £30,000 was accrued in relation to the loan notes. The loan notes can be converted into Ordinary shares at a conversion price of 45.5p per Ordinary share, provided noteholders pass a special resolution resolving to convert them.

The directors do not believe there is any equity component of the convertible loan notes as the interest rate reflects the fair value of the debt and therefore the loan note is treated as a liability.

13. Share capital

	Ordinary shares No.
Allotted, issued and fully paid	
At 31 December 2015	55,970,036
Issued during the year (i)	14,081,888
At 31 December 2016	70,051,924
Issued during the year	-
At 31 December 2017	70,051,924

	At 31 December 2017 £'000	At 31 December 2016 £'000
Ordinary shares	701	701

Issue of shares

(i) 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

(ii) 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.

(iii) 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 2017 Pence	Year ended 31 December 2016 Pence
Basic	(4.96)	(5.81)
Diluted	(4.96)	(5.81)

Earnings	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
(Loss) for the year	(3,478)	(3,759)

Denominator—basic	Year ended 31 December 2017 Number	Year ended 31 December 2016 Number
Weighted average number of equity shares	70,051,924	64,647,746
Weighted average number of equity shares for diluted EPS	70,051,924	64,647,746