LONDON STOCK EXCHANGE (LSE): GAN | IRISH STOCK EXCHANGE (ISE): GAME

2018 Half Year Report

Strong Revenue Growth for the Period ended June 30, 2018

London & Dublin | September 28, 2018: GAN plc ("GAN" or the "Group"), a leading B2B supplier of Internet gambling enterprise software-as-a-service solutions to the US and Europe land-based casino Industry, announces its results for the six months ended 30 June 2018.

Financial Overview

- +28% increase in gross income to £23.8m (H1 2017: £18.6m)
- Group Net Revenue of £4.6m (H1 2017: £4.1m), an increase of +11%
  - Recurring revenues grew by +19% YoY and now account for 92% of Net Revenue
  - The US and Italy accounted for 61% and 38% of Net Revenue, respectively
- Clean EBITDA[1] loss of £467,000 (H1 2017: profit of £24,000)
- Loss after tax of £2.9m (H1 2017: loss after tax of £2.0m)
- Basic loss per share of £0.04 (H1 2017: loss per share £0.03)
- Cash and cash equivalents at 30 June 2018 of £5.1m (£2.7m at 31 December 2017)
  - A subscription by new investors for 15,000,000 new shares in the capital of the Company raised gross proceeds of £7.5m
  - The Company elected to redeem and repay in full, with interest, the £2,001,483 9% Convertible Unsecured Loan Notes 2022 issued by GAN in April 2017
- Net Assets at 30 June 2018 of £12.3m (H1 2017: £9.0m)

Operational Overview and Current Developments

- Welcomed the decision of the Supreme Court of the United States ("SCOTUS") to overturn the previous Federal US prohibition on sports betting enshrined with the Professional and Amateur Sports Protection Act 1992 ("PASPA")
- Entered into a multi-year extension with key client PaddyPower Betfair Plc for the continued provision of Platform Services in New Jersey's fast-growing Internet gaming market and the integration of their nominated Sports betting application from third party provider IGT, Inc, substantially completed in the period
- Commenced a significant expansion of engineering resources principally in Sofia, Bulgaria with secondary recruitment in Las Vegas, Nevada in order to meet existing and expected demand from both existing clients and new clients for incremental real money Internet gambling services (particularly for sports betting in the US) and Simulated Gaming™
- Opened 'GAN Digital' in Tel Aviv, Israel, an in-house marketing agency to provide digital user acquisition & retention services to selected GAN clients worldwide
- Announced a strategic relationship with SBTECH to serve real money sports betting to GAN's diverse US casino operator clients
- Signed a multi-year agreement with GOLDBET Srl a leading Italian Internet sports betting & casino gaming operator in Italy's regulated market
- Signed the Mississippi Band of Choctaw Indians as a new client of Simulated Gaming™ expected to launch in Q4 2018

Post-period end:

- Launched Internet sports betting in New Jersey delivered for PaddyPower Betfair plc's FanDuel Group, GAN's first US client to operate Internet sports betting via the GAN Platform. The reported success of the Internet sports betting market in the first operating month of August 2018 may result in an increase in the speed of regulation of intra-State Internet gambling going forwards. It is believed that additional US States are now considering the regulation of Internet gambling

- Extended for a multi-year period the existing agreement with Pennsylvania’s largest land-based casino, Parx Casino, in order to prepare for the commencement of real money Internet gaming, real money Internet sports betting and on-property retail sports betting delivered via the GAN platform. Pennsylvania’s real money Internet gambling market is now expected to commence in early 2019. This delay, due to a slower-than-expected issuance of regulations by the state agency, impacts GAN’s ability to recognise revenues derived from professional services fees already generated by GAN year-to-date and similar incremental professional service fees expected to be generated in Q3 2018 as preparations to launch our client Parx Casino’s Internet gambling operations continue. Such fee-based revenues from the professional services rendered by GAN to its clients are recognised following the client’s commercial launch of Internet gambling. Accordingly, revenue from professional services delivered to Parx Casino in H1 and H2 2018 will now be recognised in H1 2019.

- Launched real money internet gaming for GAN’s second New Jersey client, Ocean Resort Casino (“ORC”), supported by GAN’s Turnkey Managed Services comprising technical operations management, software development, customer services & payments management together with associated regulatory consultancy. Ocean Resort Casino opened its land-based casino in Atlantic City on 28 June 2018 and the Internet casino delivered to ORC by GAN commenced operations of its desktop-only website on 10 July 2018. The secondary launch of mobile apps to enable end users to engage with ORC’s Internet casino via their personal mobile devices has been materially delayed by the New Jersey regulatory process due to the demand for certification of new Internet sports betting systems. The full launch was originally planned for early Q2 2018

- Full marketing of our Overseas Internet Casino in Europe commenced on 12 September 2018. This followed an extended period in Q3 restructuring certain operational arrangements to ensure an efficient deployment of the previously-reported $10m in user acquisition marketing provided to GAN, to develop their Internet gambling business in European regulated markets. Customer acquisition was originally planned for early Q2 2018

Dermot Smurfit, CEO of GAN commented:

The first half of 2018 saw continued growth in recurring revenues to represent a record 92% of total Net Revenues in the period.

- *Recurring revenues were driven by the continued strength in Simulated Gaming™ in the US, which grew gross purchases by end user players +52% in H1 2018 as compared with the prior year same period H1 2017.*
- *Significant growth was also experienced in Italy where gross gaming revenues increased +43% in H1 2018 against H1 2017.*
- *In the US, New Jersey's Gross Gaming Revenues grew +22% in H1 2018 compared to H1 2017, out-performing the overall Internet gaming market growth rates in New Jersey thereby increasing market share.*
- *The gross participatory revenues generated for our clients from both Simulated Gaming™ and real money Internet gaming, in which GAN participates, grew at the blended rate of +36% in H1 2018 compared with H1 2017.*

One-off setup fees derived from new client launches were constrained in H1 2018 by the need to re-assign internal engineering resources to existing clients in order to deliver on their critical business needs, including the integration of Internet sports betting which was substantially completed in H1 2018 and launched post-period end on 1 September 2018 for client PaddyPower Betfair plc in New Jersey. The decision to commit significant engineering resources to integrating and delivering sports betting was a long-term decision taken in the interests of shareholders in order to logically prioritise major existing clients' high priority business objectives triggered by the material new opportunities presented by Internet sports betting in New Jersey and the Overseas Internet Casino in Europe.

We have also improved GAN's balance sheet and cash position with an equity raise of GBP 7,500,000 though an over-subscribed placing of 15,000,000 new ordinary shares. The capital will be used to grow development resources in Sofia, Bulgaria and Las Vegas, NV to capture substantial incremental revenue opportunities available from Internet gaming and sports betting in New Jersey, Pennsylvania, and other US states expected to regulate internet gambling in the near future.

Regulatory delays will impact US real money gaming results in H2 2018, but we will continue to invest in resources to prepare for 2019 and beyond. GAN's prospects for 2019 and beyond in Real Money Gambling are very encouraging given the initial results from the launches of internet sports for Paddy Power Betfair plc's FanDuel Group in New Jersey, Internet gaming for Ocean Resort Casino in New Jersey, and the start of customer acquisition marketing for Overseas Internet Casino.

By way of outlook on 2019, the recent launch of Internet sports betting, the Company's current sales pipeline and existing contracted clients are projected to significantly enhance GANs revenue and EBITDA prospects.

Notes

1. 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 to be non-recurring and one time in nature. Where not explicitly mentioned, EBITDA refers to EBITDA from continuing operations.

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.

For further information please contact:

GAN
Dermot Smurfit
Chief Executive Officer
+44 (0) 20 7292 6262
dsmurfit@GAN.com

Richard Santiago
Chief Financial Officer
rsantiago@GAN.com

US Investors: The Equity Group
Adam Prior
aprior@equityny.com
212.371.8660

UK & Ireland Investors: Walbrook PR
Paul Cornelius
GAN@WalbrookPR.com
+44 20 7933 8780

Davy (Nominated Adviser, ESM Adviser and Joint Broker)
John Frain / Barry Murphy
+353 1 679 6363

Liberum (Joint Broker)
Neil Patel / Cameron Duncan
+44 (0) 20 3100 2000

Half-Year Results | Conference Call Details

The GAN management team will host a conference call for analysts & institutional investors at 4pm BST (11am EST / 8am PST).

Please use the following dial in numbers:

UK Participants:	0800 756 3429
US & Canada Participants:	877-407-8629
International Participants:	201-493-6715

The Half Year Results Press Release and Presentation is available to download from the website, www.GAN.com

Half-Year Results | Webcast

The call will also be simultaneously webcast over the Internet via the following link:

https://78449.themediaframe.com/dataconf/productusers/gan/mediaframe/26571/indexl.html

and such link will also be made available in the "Results and Presentations" section of GAN's website www.GAN.com/investors/results-and-presentations

GAN plc

FINANCIAL REVIEW

Summary

Net revenue for the six months ended 30 June 2018 was £4.6m compared to £4.1m for the six months ended 30 June 2017. The clean EBITDA loss of £467,000 was £0.5m adverse to the prior year period clean EBITDA profit of £24,000. The loss after taxation of £2.9m for the current period compared to a loss after taxation of £2.0m in the comparative period.

The Group continues to benefit from focusing on building its recurring revenue base in both of its primary markets, the US and Italy, while accelerating measures to optimise the underlying cost base of the business without compromising product or customer delivery. Overall recurring revenues have grown by 19% year on year and now represent 92% of total net revenue compared to 86% in the comparative half year period. The US remains the Group's principal market and net revenue of £2.8m increased by £0.2m over the comparative period and accounts for 61% of total net revenue. Real money gaming revenue from the Italian market has increased by 36% and now represents 38% of total net revenue. The group has continued to rationalise its cost base principally through the expansion of its technical development office in Bulgaria.

On 7 June 2018, the Group announced that it had raised gross proceeds of £7.5m through a subscription by new investors for 15m new shares in the capital of the Company. The Company plans to use the net proceeds of the Subscription to substantially increase GAN's software engineering and operational resources to better serve existing major US clients' services such as the Overseas Internet Casino, launch new US clients and new services in the US in anticipation of Internet sports betting following the US Supreme Court's decision to lift the Federal Ban on sports betting delivered on 14 May 2018.

Proceeds from the Subscription were also used to repay the 9% Convertible Unsecured Loan Notes 2022 issued by GAN in April 2017, in order to strengthen the Company's balance sheet, it thereby being debt-free and capitalised to levels the Directors of GAN believe are reasonably required to serve major multi-property and multi-state casino groups in the US.

Cash and cash equivalents at the end of the period was £5.1m compared to £3.3m at 30 June 2017 and £2.7m at 31 December 2017. Net Assets at 30 June 2018 of £12.3m compared to £9.0m at 30 June 2017 and £7.6m for the year ended 31 December 2017.

Revenue

Gross income of £23.8m for the six months ended 30 June 2018 represents an increase of £5.3m compared to the period ended 30 June 2017. Net revenue for the period of £4.6m is £0.5m higher than the comparative six month period due to increased revenue share from both the Italian and US markets. Real money gaming operations generated net revenue of £2.5m, £0.4m higher than the comparative period while Simulated Gaming™ net revenue of £2.1m is consistent with the prior year period.

The Group categorises net revenues from both Simulated Gaming™ and real money gaming operations into two distinct revenue streams; revenue share and other revenue (recurring in nature) and game and platform development (one time and primarily non-recurring in nature). Recurring revenues are principally generated in the real money gaming markets of Italy in Europe and New Jersey in the US and by Simulated Gaming™ markets in the US and Australia.

- Real money gaming operations recurring revenues have increased by 17% from £1.8m in the prior year comparative period to £2.1m for the six months ended 30 June 2018 and account for 46% of overall Group net revenue.
- Simulated Gaming™ recurring revenues have increased by 20% from £1.8m in the prior year comparative period to £2.1m for the six months ended 30 June 2018.

FINANCIAL REVIEW (*Continued*)

Expenses

Distribution costs include royalties payable to third parties, direct marketing expenditure, direct costs of operating the hardware platforms deployed across the business, and depreciation and amortisation, which in total have increased from £3.6m in the comparative period to £4.3m for the six months ended 30 June 2018. The increase is due primarily to an increase in royalties associated with revenue growth in Italy for real money gaming.

Administration expenses include the costs of personnel and related expenditure for the London, Las Vegas, Tel Aviv and Sofia offices. Total administrative expenses have increased slightly from £2.9m in the prior year comparative period to £3.3m for the six months ended 30 June 2018. Higher salary and related costs of £0.4m were incurred due to the increased cost for increased staff levels in the Las Vegas, Tel Aviv and Sofia offices to support the growth of new and existing contracts.

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. The directors regard Clean EBITDA as a reliable measure of profits that is not unduly subjective.

The clean EBITDA loss for the six month period ended 30 June 2018 of £467,000 is £0.5m adverse to the comparative figure (2017 Clean EBITDA profit of £24,000), primarily due to increased costs incurred on personnel expansion to drive further revenue growth.

Cashflow

The cash balance at 30 June 2018 was £5.1m representing an increase of £2.4m from 31 December 2017 (£2.7m). During the six month period, the Group has continued to invest in its Internet Gaming System deployment capability and product enhancement however cash has increased from the year-end balance at 31 December 2017 as a result of the subscription of share capital in June 2018 which generated £7.5m in gross proceeds.

In addition to operating cash outflow before movements in working capital and taxation of £0.8m, cash outflows during the period include £1.7m in incremental investment in intangible fixed assets primarily related to the capitalisation of internal development time. Cash generated from financing activities was £5.2m following the issue of new shares in the company (£7.5m) offset by repayment of the convertible loan note (£2.3m) in June of this period. Net cash generated during the period of £2.3m resulted in an increased cash balance at 30 June 2018 of £5.1m.

Outlook

Simulated Gaming™ and real money internet gaming are expected to show continued growth for the second half of the year.

- In the US market, revenues from the 13 US based Simulated Gaming™ casino operators at 30 June 2018 are expected to benefit from the seasonally strong autumn period.
- The Group expects to experience solid growth in real money internet gaming revenues in the second half of the year as a result of:
    - The launch of sports betting in New Jersey for PaddyPower Betfair plc under the FanDuel brand name
    - The launch of real money internet gaming at Ocean Resort Casino in New Jersey.
    - The initiation of customer acquisition for the Overseas Internet Casino.

The launch of Parx Casino in Pennsylvania will be delayed into H1 2019 due to the slower-than-expected pace of implementing regulation. This regulatory delay will also negatively impact GAN's H2 2018 Net Revenue from the revenue-sharing aspect of GAN's commercial relationship with Parx Casino, the market-leading casino property in Pennsylvania. We are projecting 2019 to be a record year for Revenues, and EBITDA given our current sales pipeline.

FINANCIAL REVIEW (*Continued*)

The Group expects distribution costs to increase due to increased royalties payable to third parties as a result of increased Italian real money gaming revenues and US Simulated Gaming^{TM} revenues. Administrative expenses before foreign exchange movements are expected to grow incrementally in the second half of the year as the Group continues to expand its technical development office in the lower cost market of Bulgaria in support of growth for 2019 and beyond.

KEY PERFORMANCE INDICATORS

The performance of the Group during the period demonstrates the Group's strategy to grow recurring revenues through both its real money gaming business in the US and Italy and its Simulated Gaming^{TM} business in the US and Australia. The directors regard clean earnings before interest, tax, depreciation, amortisation, share based payment expense and other items ("Clean EBITDA") as a reliable measure of profits and the Group's key performance indicators are set out below:

	H1 2018 £000	H1 2017 £000
Gross income from gaming operations and services	23,840	18,581
Net revenue	4,600	4,141
Clean EBITDA	(467)	24
Net assets	12,312	8,978
Cash and cash equivalents	5,091	3,322

The Board also monitor customer related KPIs, including number of active players, revenue by partner, business segment profitability and geographic split of turnover.

GAN plc

For the period ended 30 June 2018

Consolidated statement of comprehensive income

	Notes	Six months ended 30 June 2018 £000 Unaudited	Six months ended 30 June 2017 £'000 Unaudited	Year ended 31 December 2017 £'000 Audited
Continuing Operations				
Gross income from gaming operations and services		23,840	18,581	41,075
Net revenues	3	**4,600**	**4,141**	**9,120**
Distribution costs		(4,307)	(3,638)	(7,996)
Administrative expenses		(3,322)	(2,873)	(5,526)
Profit on sale of intangible assets		-	-	303
Total operating costs		(7,629)	(6,512)	(13,219)
Clean EBITDA		(467)	24	454
Depreciation		(142)	(140)	(379)
Amortisation of intangible assets		(1,984)	(1,881)	(3,851)
Impairment of intangible assets		-	-	(168)
Exceptional costs	5	(311)	(343)	(341)
Profit on sale of intangible assets		-	-	303
Employee share-based payment charge		(126)	(30)	(117)
Operating (loss)		(3,029)	(2,370)	(4,099)
Net finance (costs)		(252)	(30)	(117)
(Loss) before taxation		(3,281)	(2,396)	(4,216)
Tax credit		388	404	738
Loss for the period attributable to owners of the Group and total comprehensive income for the period		(2,893)	(1,992)	(3,478)
Basic earnings per share attributable to owners of the parent during the period				
Basic (pence)	9	(4.02)	(2.87)	(4.96)
Diluted (pence)	9	(4.02)	(2.87)	(4.96)

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.

GAN plc

For the period ended 30 June 2018

Consolidated statement of financial position

	Notes	At 30 June 2018 £'000 Unaudited	At 30 June 2017 £'000 Unaudited	At 31 December 2017 £'000 Audited
Non-current assets				
Intangible assets		5,609	6,226	5,871
Property, plant and equipment		239	361	374
Lease deposits		-	170	-
		5,848	6,757	6,245
Current assets				
Trade and other receivables	6	2,884	2,976	2,874
Research and development tax credit receivable		1,198	1,467	795
Lease deposits		53	-	192
Cash and cash equivalents		5,091	3,322	2,746
		9,225	7,765	6,607
Total assets		**15,074**	**14,522**	**12,852**
Current liabilities				
Trade and other payables	7	2,588	3,352	3,061
Total liabilities		2,588	3,352	3,061
Non-current liabilities				
Long Term Loan	7	-	2,001	2,001
Other payables	7	174	191	211
Total non-current liabilities		174	2,192	2,212
Equity attributable to equity holders of parent				
Share capital	8	851	701	701
Share premium account		26,159	18,809	18,809
Retained earnings		(14,698)	(10,532)	(11,931)
		12,312	8,978	7,579
Total equity and liabilities		**15,074**	**14,522**	**12,852**

GAN plc

For the period ended 30 June 2018

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017	**701**	**18,809**	**(8,570)**	**10,940**
Loss and total comprehensive income for the period	-	-	(1,992)	(1,992)
Employee share-based payment charge	-	-	30	30
At 30 June 2017 (Unaudited)	**701**	**18,809**	**(10,532)**	**8,978**
Loss and total comprehensive income for the period	-	-	(1,486)	(1,486)
Employee share-based payment charge	-	-	87	87
At 31 December 2017	**701**	**18,809**	**(11,931)**	**7,579**
Loss and total comprehensive income for the period	-	-	(2,893)	(2,893)
Issue of equity share capital	150	7,350	-	7,500
Employee share-based payment charge	-	-	126	126
At 30 June 2018 (Unaudited)	**851**	**26,159**	**(14,698)**	**12,312**

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

GAN plc

For the period ended 30 June 2018

Consolidated statement of cash flows

	Period ended 30 June 2018 £'000 Unaudited	Period ended 30 June 2017 £'000 Unaudited	Year ended 31 December 2017 £'000 Audited
Cash flow from operating activities			
Loss for the period	(2,893)	(1,992)	(3,478)
Adjustments for:			
Amortisation of intangible assets	1,984	1,881	3,851
Impairment of intangible assets	-	-	168
Depreciation of property, plant and equipment	142	132	379
Profit on disposal of intangible fixed asset	-	-	(303)
Share based payment expense	126	30	117
Tax credit	(402)	(404)	(738)
Net finance cost	252	26	117
Foreign exchange	(50)	34	87
Operating cash flow before movement in working capital and taxation	**(841)**	**(293)**	**200**
Decrease/(increase) in trade and other receivables	141	(141)	(62)
Increase/(decrease) in trade and other payables.	(485)	297	(277)
Taxation	-	-	1,004
Net cash flows (used in)/from operations	**(1,185)**	**(137)**	**865**
Cash flow from investing activities			
Interest received	-	4	5
Sale of intangible fixed assets	-	-	303
Purchase of intangible assets	(1,723)	(1,673)	(3,457)
Purchase of property, plant and equipment	(8)	(14)	(63)
Net cash used in investing activities	**(1,731)**	**(1,683)**	**(3,212)**
Cash flow from financing activities			
Net proceeds on issue of shares	7,500	-	-
Issue of convertible loan notes	-	2,001	2,001
Interest paid on convertible loan notes	(371)	-	-
Redemption of convertible loan notes	(1,908)	-	-
Net cash generated from financing activities.	**5,221**	**2,001**	**2,001**
Net increase/(decrease) in cash and cash equivalents	**2,305**	**181**	**(346)**
Cash and cash equivalents at beginning of period	2,746	3,179	3,179
Effect of foreign exchange rate changes	40	(38)	(87)
Cash and cash equivalents at end of period	**5,091**	**3,322**	**2,746**

GAN plc

For the period ended 30 June 2018

Notes to the financial statements

1. Basis of preparation and accounting policies

The financial information in this document has been prepared in accordance with the recognition and measurement requirements of 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 for the period ended 30 June 2018 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 2017 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2017 was 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.

This interim report, which has neither been audited nor reviewed by independent auditors, was approved by the board of directors on 28 September 2018. The financial information in this interim report has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards as adopted for use in the EU (IFRSs). Except for the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' in the period, which have not had a material impact on the Group's results, the accounting policies applied by the Group in this financial information are the same as those applied by the Group in its financial statements for the year ended 31 December 2017. The adoption of the expected credit loss impairment model did not have a material impact on reported results. Management have considered the impact of IFRS 15 on the business by revenue stream and have not identified any material changes in the Group's revenue recognition policies. Management will continue to review the revenue recognition policies on new contracts as they arise. These accounting policies will form the basis of the 2018 financial statements.

Adoption of new and revised standards

In the current period 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 2018. 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 2018. These have not been early adopted and the Directors are still considering the potential impact of IFRS 16 'Leases'.

2. Judgements and estimates

The preparation of interim financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the consolidated financial statements as at and for the year ended 31 December 2017.

The risks and uncertainties and significant estimates and judgements faced by the Group have not changed significantly since the 2017 Annual Report was published and are not expected to change significantly during the remaining six months of the financial year.

3. Net revenue

	Period ended 30 June 2018 £'000 Unaudited	Period ended 30 June 2017 £'000 Unaudited	Year ended 31 December 2017 £'000 Audited
RMG			
Game and platform development................	378	273	1,300
Revenue share and other revenue	2,108	1,799	3,714
SIMGAM			
Game and platform development................	-	311	311
Revenue share and other revenue	2,113	1,758	3,795
Total revenue………………………………	4,600	4,141	9,120

4. 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 reportable segment under IFRS 8 are therefore as follows:

- Real money gaming operations (RMG)
- Simulated Gaming™ operations (SIMGAM)

In the prior year the Group reported principal segments of "B2B and "B2C". The current distinction between segments has been agreed by the Board in light of the continued strategic move toward a B2B only market, the relative insignificance of the B2C operations, and reflects the management reporting to the chief operating decision maker. The comparative segmental reporting has been restated to reflect the above operating segments.

Segment revenues and results

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

Period ended 30 June 2018 (Unaudited)	RMG £'000	SIMGAM £'000	Total £'000
Net revenue	2,487	2,113	4,600
Distribution costs (excluding depreciation and amortisation)	(1,439)	(742)	(2,181)
Segment result..	1,048	1,369	2,419
Administration expenses			(3,322)
Depreciation			(142)
Amortisation of intangible assets...			(1,984)
Finance income			-
Finance expenses			(252)
Loss before taxation..			(3,281)
Taxation			388
Loss for the period after taxation			(2,893)

Period ended 30 June 2017 (Unaudited)	RMG £'000	SIMGAM £'000	Total £'000
Net revenue	2,072	2,069	4,141
Distribution costs (excluding depreciation and amortisation)	(1,076)	(542)	(1,617)
Segment result	996	1,528	2,524
Administration expenses			(2,873)
Depreciation			(140)
Amortisation of intangible assets			(1,881)
Finance income			4
Finance expenses			(30)
Loss before taxation			(2,396)
Taxation			404
Loss for the period after taxation			(1,992)

Year ended 31 December 2017 (Audited)	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			(5,223)
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			738
Loss for the year after taxation			(3,478)

The accounting policies of the reportable segments follow the same policies as described in note 1. 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.

	Period ended 30 June 2018 £'000 Unaudited	Period ended 30 June 2017 £000 Unaudited	Year ended 31 December 2017 £'000 Audited
UK and Channel Islands	56	223	1,047
Italy	1,740	1,280	2,825
USA	2,787	2,591	5,174
Australia	17	47	74
	4,600	4,141	9,120

Geographical analysis of non-current assets

	At 30 June 2018 £'000 Unaudited	At 30 June 2017 £'000 Unaudited	At 31 December 2017 £'000 Audited
UK and Channel Islands	5,535	6,412	5,900
USA	298	342	328
Bulgaria	15	3	17
	5,848	6,757	6,245

5. Exceptional costs

	Period ended 30 June 2018 £'000 Unaudited	Period ended 30 June 2017 £'000 Unaudited	Year ended 31 December 2017 £'000 Audited
Compensation for loss of office, redundancy and compromise costs, together with associated legal expenses	-	320	320
Costs associated with capital raise	311	-	-
Costs associated to bond issue	-	14	14
Other exceptional costs	-	9	7
	311	343	341

GAN plc

For the period ended 30 June 2018

Notes to the financial statements *(continued)*

6. Trade and other receivables

	At 30 June 2018 £'000 Unaudited	At 30 June 2017 £'000 Unaudited	At 31 December 2017 £'000 Audited
Trade receivables	1,597	1,783	1,800
Other receivables	241	258	265
Prepayments and accrued income	1,046	935	809
	2,884	2,976	2,874

Other receivables include amounts due from payment service providers and VAT recoverable.

Non-current assets

	At 30 June 2018 £'000 Unaudited	At 30 June 2017 £'000 Unaudited	At 31 December 2017 £'000 Audited
Lease deposits	-	170	-
	-	170	-

Non-current assets relate to the deposits provided in respect of leased office space. The amount is repayable in accordance with the terms of the agreement.

7. Trade and other payables

	At 30 June 2018 £'000 Unaudited	At 30 June 2017 £'000 Unaudited	At 31 December 2017 £'000 Audited
Amounts falling due within one year			
Trade payables	1,512	2,272	1,881
Other taxation and social security	69	104	144
Other payables	172	163	265
Loan interest	18	30	121
Accruals and deferred income	817	783	650
	2,588	3,352	3,061

7. Trade and other payables (*continued*)

Non-current liabilities

	At 30 June 2018 £'000 Unaudited	At 30 June 2017 £'000 Unaudited	At 31 December 2017 £'000 Audited
Accruals	174	123	-
Loan notes	-	2,001	2,001
Finance lease liability	-	-	211
Deferred consideration	-	68	-
	174	2,192	2,212

Long term loan

In April 2017, the Group raised £2m following issue of 2,001,483 £1 Convertible Unsecured loan notes. In May 2018 the Company announced its intention to repay the Unsecured Loan Notes. All noteholders that provided repayment information were repaid which amounted to £1,907,754 principal and £371,150 interest.

Funds are held in an interest bearing account for Noteholders that failed to respond to communications from the Company. The outstanding notes of £93,729 are recorded within other payables under current liabilities. Interest of £18,235 is accrued and recorded within current liabilities.

8. Share capital

	At 30 June 2018 £'000 Unaudited	At 30 June 2017 £'000 Unaudited	At 31 December 2017 £'000 Audited
Ordinary shares	851	701	701
	851	701	701

Issue of shares

(i) 15,000,000 ordinary share of 1p each were issued at a premium of 49p during the year ended 31 December 2018 generating gross proceeds of £7,500,000.

9. Earnings per share

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

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. 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.

	Period ended 30 June 2018 Pence Unaudited	Period ended 30 June 2017 Pence Unaudited	Year ended 31 December 2017 Pence Audited
Basic	(4.02)	(2.87)	(4.96)
Diluted	(4.02)	(2.87)	(4.96)

Earnings	Period ended 30 June 2018 £'000 Unaudited	Period ended 30 June 2017 £'000 Unaudited	Year ended 31 December 2017 £'000 Audited
(Loss) for the period	(2,893)	(1,992)	(3,478)

Denominator	Period ended 30 June 2018 Number Unaudited	Period ended 30 June 2017 Number Unaudited	Year ended 31 December 2017 Number Audited
Weighted average number of equity shares (basic)	71,942,335	69,508,773	70,051,924
Weighted average number of equity shares for diluted EPS	77,613,223	69,578,773	73,666,924

10. Related party transactions

The offer of a 9% Convertible Loan Note for a consideration of £2 million in April 2017 was in part accepted by Roger Kendrick for £94,822, who is a director, Michael Smurfit Jnr for £3,988, who is a director and Sir Michael Smurfit for £1,854,154, who is a related party to Michael Smurfit Jnr.

On 25 June 2018 the Convertible Loan Note was repaid to Roger Kendrick who is a director for £34,300 (£28,714 principal, £5,586 interest), to Michael Smurfit Jnr who is a director for £4,764 (£3,988 principal, £776 interest) and Sir Michael Smurfit for £2,214,876 (£1,854,154 principal, £360,722 interest), who is a related party to Michael Smurfit Jnr.

At 30 June 2018 £78,969 (£66,108 principal, £12,861 interest) due to Roger Kendrick was outstanding and recorded in current liabilities.

11. Subsequent events

In April 2017, the Group raised £2m following issue of 2,001,483 £1 Convertible Unsecured loan notes. In May 2018 the Company announced its intention to repay the Unsecured Loan Notes. All noteholders that provided repayment information were repaid and the outstanding balance at 30 June 2018 was £93,729.

Subsequent to 30 June 2018 £79,415 was repaid (£66,481 principal, £12,934 interest) including £78,969 (£66,108 principal, £12,861 interest) to Roger Kendrick who is a director.