GAN

DELIVERING YOUR GAMING BUSINESS ONLINE

GAN plc
Annual report and accounts 2016

GAN is a leading business-to-business provider of enterprise online gaming software, operational support services, and online game content development services to the casino industry.

GAN has developed the GameSTACK™ Internet Gaming System (or IGS) which we license to online and land-based gaming operators as a turnkey technology solution for both regulated real money Regulated Gaming and Simulated Gaming™ online. The GameSTACK™ IGS, developed in London under a UKGC licence, is certified to the highest technical standards currently required by gaming regulators.

Expanding beyond platform technology services, GAN has built up a highly skilled Managed Services team to provide strategic direction, creative design, programming implementation, and customer services to our real money Regulated Gaming and Simulated Gaming™ partners around the world.

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2016 ANNUAL RESULTS

Financial Overview

- Net Revenue of £7.8m (2015 £6.0m) an increase of 30% on 2015
- Clean EBITDA[1] loss of £0.9m (2015: £3.0m)
- Loss before tax of £5.2m (2015: £5.6m) and loss per share of £0.06 (2015: £0.09)
- Loss after tax of £3.8m (2015: £5.0m)
- Cash and cash equivalents at the end of the year of £3.2m (2015: £3.8m)
- Net Assets at the end of the year of £10.9m (2015: £10.2m)
- Raised Gross Proceeds from share placings of £4.4m in 2016 and an additional £2.0m in April 2017 through an unsecured 9% convertible loan note which positions the Group for further growth

Net Revenue

£7.8m +30%

(2015: £6.0m)

Cash and cash equivalents

£3.2m

(2015: £3.8m)

Clean EBITDA[1] Loss

(£0.9m)

(2015: £3.0m)

Net Assets

£10.9m

(2015: £10.2m)

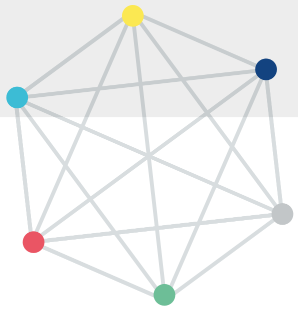
Strategic and Operating Developments

- Launched Simulated Gaming™ in the US for three new US casino clients (2015: four)
- Signed five new US casino clients for Simulated Gaming™ (2015: five)
- Simulated Gaming™ clients together generate $9bn (13%) of the land-based US casino Industry's annual gaming revenues[2]
- Continued delivery of Betfair's fast-growing New Jersey Internet casino business BetfairCasino.com reliant on GAN's Internet gaming platform, content & supporting services
- Continued investment in US infrastructure: Licensing, offices and People
- Post period end launched four new client operators of Simulated Gaming bringing to 13 the total number of casinos operating Simulated Gaming online in reliance on GAN
- Post period end award of a full Casino Service Industry Enterprise in New Jersey, issued by the New Jersey Division of Gaming Enforcement following a multi-year licensing process

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

AT A GLANCE

GAN is strategically positioned to deliver casino partners with an end-to-end iGaming ecosystem supporting Simulated Gaming™ (social) play as well as real money Regulated Gaming online. As an innovator in platform design and deployment in markets around the world, GAN has the technical and regulatory know-how to give our partners first-mover advantage.



What we do

Our Enterprise Technology Platform

The GameSTACK™ Internet Gaming System is a highly evolved enterprise software platform developed over 15 years and capable of deploying real money regulated gaming, virtual credits-based Simulated Gaming™ and diverse forms of monetised Casual Gaming. Unique in the B2B iGaming landscape, this single enterprise software system is capable of providing these three relevant gaming business models to major casino operators world-wide. In the context of real money Regulated Gaming, the GameSTACK™ IGS is technically compliant with some of the most challenging regulatory environments in the world including Italy, United Kingdom, Alderney, and New Jersey, giving our current and potential partners comfort that GAN can seamlessly deliver their business online.

Operating a software-as-a-service model, GAN continually maintains, develops and upgrades the single 'evergreen' GameSTACK™ enterprise software platform capable of being deployed anywhere in the world. Continual software development delivers sustained upgrades to the clients' enterprise marketing tools, business intelligence systems, gaming portfolio and a wide range of other technical features which clients receive and benefit from automatically as well as delivering custom development to clients required to differentiate each client's gaming product experience. By year-end 2016 GAN operated seven instances of GameSTACK™ deployed inside data centres located in Nevada, New Jersey, Pennsylvania, Maryland, Oklahoma, Alderney and Italy.

Our Partners and Clients

Casino operators | content suppliers | third party technology suppliers

Operators

The GAN family of partners represent the world's leading operational groups, both online and offline. In the United States, we've grown our client base to include 14 large scale brick and mortar operators and one dedicated online partner, many of whom contracted GAN for our ability to deliver real money gaming and social gaming from the same core technology stack as well as provide dedicated service pre and post product launch. **Today, the GAN family of partners represents over 120,000 slot machine units on their floors, and tens of millions of dedicated loyalty club card holding players within their databases.** With the continued success of Simulated Gaming™ and real money gaming key performance indicators, GAN was able to form partnerships with Station Casinos out of Las Vegas, The Chickasaw Nation of Oklahoma, Turning Stone Resort of New York, Twin River Casino of Rhode Island and, following the turn of the New Year, TEN Casino in Atlantic City.

Content partners

In addition to securing material partnerships in the US casino landscape, GAN has assembled a wide range of relationships with collaborating casino equipment manufacturers seeking to bring their machine-based slot games online and distribute them across the US and into selected regulated markets internationally. With over seven years of experience in bringing best-in-class manufacturers from the offline space into the online space, GAN has become a preferred partner in the development of IP for online play.

Third party

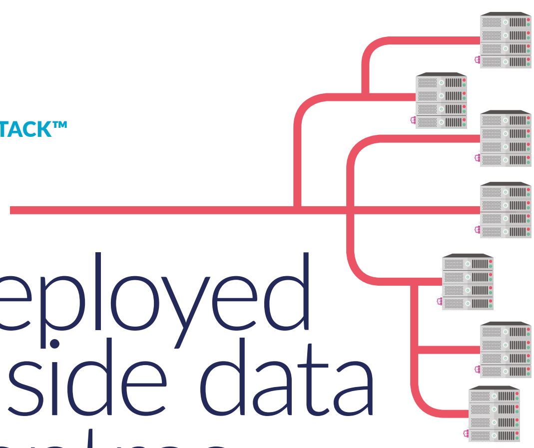
Beyond content, GAN has brought together world-leading service providers spanning payment processing, pre-paid card services, age and identity verification, and fraud detection. GAN enjoys a strong positive reputation for technical competence, and the category partners who support the GameSTACK™ as a turnkey ecosystem are critical to that success. The wide-ranging capability of GAN's technical development and operations team together with the underlying technical capability of the enterprise software platform has enabled us to secure and develop relationships within gaming around the globe.

GameSTACK™ Internet Gaming System

15 years development

GameSTACK™

7 deployed inside data centres



Where we are

Global Footprint

United States
In our third full year in the US market, GAN continued to secure billion dollar enterprises, re-aligning our global support structure to continue to better serve our clients, and innovating on operator-centric platform design. GAN's primary growth market is the US. With the largest base of casinos, loyalty-engaged patrons, and casino game centric audience, GAN is well positioned to dominate the US B2B space for years to come.

Service Evolution

Italy
GAN extended its market position in Italy growing gross gaming revenues from £16.5m in 2015 to £21.8m in 2016, an increase of 32% YoY. Our Italian content delivery services business continues to be a strong revenue driver for GAN.

Australia
GAN continues to support our consortium of six land-based gaming club operators in Queensland, Australia, bringing Simulated Gaming™ to Australia prior to future regulation of real money Internet gaming.

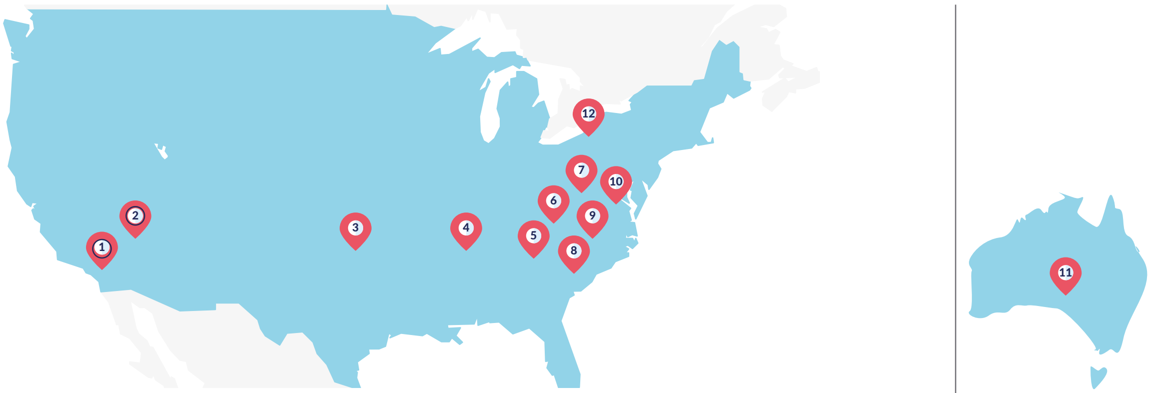
United Kingdom
Headquartered in central London, the team of gaming experts, engineers, and senior leadership is equipped to be very responsive to the demands of current and newly regulated markets.

Bulgaria
GAN's development team expanded into Bulgaria in 2016 with a Sofia city-centre campus. Our newly expanded team of highly qualified developers and quality assurance team members provide support for our growing client base.

Our history

GAN's early roots were in the development of skill and table games which were deployed for the real money marketplace. Our evolution into being an award winning platform and services provider has been an epic journey.

GAN partnerships footprint



1 Los Angeles

2 Las Vegas

3 Oklahoma

4 St Louis

5 Detroit

11 Australia

6 Providence

7 New Jersey

8 Philadelphia

9 Maryland

10 New York City

12 Rochester

CHAIRMAN'S REPORT

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

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

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

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

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

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

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

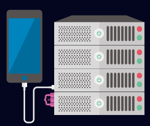
Seamus McGill
Chairman, GAN plc

CORE BUSINESS OFFERINGS

GameSTACK™ IGS: Winner of eGaming Review's Peer-Juried Casino Platform of the Year 2015 and 2016; Freeplay Supplier of the Year 2016, and 2017.

GAN's GameSTACK™ IGS technology and complementary software-as-a-service structure is designed to support casino operators, content providers, and best-in-class online service providers in symbiotic manner. GAN continually works to maintain and grow this ecosystem to provide the ultimate online casino experience – social or real money gaming – to our partners and subsequent players around the world.

Whether engaging in social gaming or real money gaming,

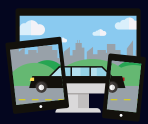


1 Technology:

GameSTACK™ IGS: the ultimate turnkey technology platform giving casinos real time control of promotions, messaging, analytics, and all other facets of online operations.

2 Content Development:

GAN re-develops content (configuring games for desktop and mobile play) for global suppliers of games such as Everi, Incredible Technologies, Konami, and more. GAN creates customer content for our partners as well.



3 Content Distribution:

Once configured for online play, GAN distributes these titles for our content partners in social and real money online gaming markets around the world.

4 Managed Services:

From regulatory relations, to strategy, to execution, to end-user customer services, GAN can support any operation in launching and running their online business. Intimately tied with a casino's overarching player communications team, GAN's managed services help support social and real money gaming as a integral parts of the operation.

5 Regulatory Relations:

Licensed in numerous jurisdictions in the US and abroad, GAN operates at the highest levels of probity to ensure successful long-term operations for all involved.

6 User experience:

Front content, to messaging, to loyalty, GAN carefully curates a exciting user experience end-to-end. We work with world leading content providers to bring their IP online, monitor and adapt to trends in online gaming experiences, and make the journey for the player engaging day after day.

GameSTACK™ IGS is a turnkey platform comprised of proprietary enterprise level software, hardware, and integrated components such as the iSight™ Back Office, SENSE3™ Mobile, iBridge™ integration framework, and third party technologies.

GAN's open platform has undergone significant technical developments in the last two years, providing our partners – be they operators, content providers, or other services providers – with a truly best-in-class technical ecosystem, awarded by eGaming Review's (North America) peer-juried Casino Platform of the Year in both 2015 and 2016. With a fully redesigned back office management tool in iSight™, casino operators have complete control over their content selection, player communications, process automation, and real-time analytics. The ongoing investment in platform features and functionalities is core to our business; a nimble platform ensures ease of integration for new content, operator-friendly third party tools, and turnkey day-to-day operations.

Driving players to an operator's Simulated Gaming™ or real money gaming online casino requires not only great technology, but great content as well. GAN has been working with world leading suppliers for over five years to bring their content online. GAN's content partners trust us with their intellectual property as we configure games originally built for the offline world to play in the online worlds of desktop and mobile.

With the world's most innovative tools for B2B casino operations, GAN has invested in growing our global managed services team to support operators as they move online. Based between London and Las Vegas, our in-house managed services team members support initial configurations and ongoing operations of our partners via GameSTACK™ platform – spanning loyalty, marketing automations, reporting, access, and various other protocols. Additionally, our managed services team members respond to questions from players related to day-to-day operations on behalf of our operator partners.

In a highly regulated industry, probity is paramount. GAN is licensed in various jurisdictions around the world and appreciates the role of regulation in the real money online space. GAN's clean probity record enabled us to gain entry into the New Jersey market in 2013 while many other European-based platform providers hesitated to attempt market entry.

CORE BUSINESS OFFERINGS
SIMULATED GAMING™

Simulated Gaming™ is a monetised, social casino experience custom designed for our operator partners and deployed across desktop and mobile devices.

Simulated Gaming™

GAN's Simulated Gaming™ enterprise software solution offers traditional US casino operators an award-winning technology platform also capable of regulated real money Internet gaming, a competitive gaming product portfolio and highly specialised knowledge services from an experienced team. Simulated Gaming™ represents a swift and cost-effective entry point for US casino operators into the rapidly growing social casino market.

GAN's focus on enabling land-based US casino operators with Simulated Gaming™ is supported by management's fundamental belief that land-based US casino operators can offer the end-user consumers of social casino gaming a superior value proposition. A typical client of Simulated Gaming™ offers existing consumers of social casino gaming access to their compelling range of land-based gaming experiences comprising real money gaming, loyalty programmes, restaurants, hotels and other amenities not currently offered by social casino gaming operators. Over time, US casino operators equipped with our Simulated Gaming™ solution are anticipated to extend their land-based gaming value proposition online, and take significant market share.

A unique selling point of GAN's Simulated Gaming™ is the convergence capability driving customers playing games online to visit the land-based casino. A typical US casino will have between 30% and 80% of their customers enrolled in their rewards programme. US-patented in September 2014, the iBridge™ framework delivers a unique experience to end-user consumers of Simulated Gaming™ by issuing reward points (similar to 'air miles') into their rewards account instantly as a consequence of undertaking a wide range of activities online. Purchase virtual dollars for extended time playing games online, and a casino's customer will typically receive reward points that can subsequently be converted into real value when redeemed in person inside the casino property. This US patent represents a significant intellectual property asset for GAN and through the course of time has proved instrumental in acquiring US casino operators as clients who all attribute significant commercial value to GAN's patented technical ability to integrate with their existing rewards programme.

Case study
The year to make the move

Following a late year re-interpretation of the Wire Act in 2011, the US marketplace has moved in fits and starts in both social gaming and online gaming, but 2014 proved to be the year to move online.

With radical changes to provider roadmaps, commercial structures, and competitive (many suppliers also operate B2C products) dynamics, many major operators sat on the sidelines of the iGaming space fearing that entry with the wrong partner at the wrong time could be incredibly costly, not only in terms of resources extolled but in the context of the relationship capital held with loyal casino consumers. 2016 marked the year the major players who had waited for market stabilisation in the past were ready to make the move online.

Station Casinos and the Chickasaw Nation's WinStar World Casino explored several other structures through which to move online over the years. As some of the largest enterprises in the world in terms of gross gaming revenue per annum, both entities needed offerings which allowed them to market to their players in real time.

Billion Dollar Enterprises choose GAN

CORE BUSINESS OFFERINGS
REAL MONEY GAMING

The Internet Gaming System enables authenticated, verified and registered end-users to deposit and withdraw funds and wager real money on a wide range of online games.

GAN's experience in the real money online gaming space spans two continents and multiple business lines.

From the publication and distribution of content, to turnkey platform services, to supporting operational services from a tenured team, GAN is the preeminent partner to bring your operation online.

With roots in skill game content creation, GAN distributed proprietary titles to world-leading operators in real money regulated markets. Expanding into content publishing and distribution through the GameSTACK™ Remote Game Server, GAN launched multiple major content providers in the Italian marketplace.

In November 2013, GAN, as a B2B turnkey platform partner, deployed BetfairCasino.com in New Jersey. GAN was the only platform supplier to bring our partner live with both desktop and mobile gaming on day one of the regulated market launch. Initially, the New Jersey Division of Gaming enforcement issued provisional licences to platform suppliers in-market. GAN was one of the few suppliers to receive a full licence in April 2017.

GAN is committed to this technical architecture forged from a single worldwide code base, ensuring that exciting developments in metagame mechanics, iSight™ back office functionalities and integrations of world-leading services can be capitalised on by our partners in both play modalities. This code base has been developed to operate in multiple jurisdictions under different regulatory requirements, which has given GAN the ability to quickly leverage these different configurations as new regulated markets open to online gaming.

GAN's real money online gaming business continues to expand thanks to our commitments to probity, compliance, strong regulatory relations, and systems innovations.

Committed to excellence in real money gaming:

- Over a decade of clean, regulated market operations across content development, distribution, and turnkey services
- Currently operating in the UK, Italy and New Jersey Internet gaming markets. Approved by the UKGC, AAMS, AGCC and NJDGE
- Evergreen worldwide code base, meaning all partners receive universal updates and innovations
- Social features and functionalities
- World-leading game theme library featuring over 17 major content suppliers

GAN extended its market position in Italy growing gross gaming revenues from £16.5m in 2015 to £21.8m in 2016 an increase of 32% YoY. The growth came via the addition of a new selected operator, Bet365, but more importantly from organic growth, with up to 30% of operator casino revenues generated via the GAN platform.

GAN continues to be approached by new suppliers as well as the operators to aggregate more content and so allow maximum exposure with one single integration.

Building on the established NetEnd and IGT content offering, GAN launched Capecod's games which became an immediate success, due in part to its high recognition factor of the Italian land-based market. At least two new content suppliers will be brought online in H1 2017, with more to follow before the end of the year. Currently GAN offers content in the Italian market from 12 different suppliers, about to become 15 by the end of 2017.

Case study
Competitive replacements
Station Casinos and The Borgata

Station Casinos' properties and MGM's The Borgata both began their social gaming journeys in a partnership with a social casino deployed primarily from a social networking website.

Acknowledging the traction in player registrations, both entities looked for a partnership in which they could have better control of the player journey from start to finish. GAN was a natural choice as we focus on deploying Simulated Gaming™ as extensions of our partner's brands as opposed to isolated locations on social networking platforms. GAN carefully designed unique user journeys for the patrons of Station Casinos and The Borgata to ensure the migration of their experience from one platform to another was seamless. In partnership with GAN, both casinos will be able to meaningfully market online and offline rewards and experiences to their players in real time thanks to GAN's iBridge™ Framework which allows players to review in-casino loyalty for their non-gaming activity online. Station Casinos and MGM are incredible partners who'll bring new and exciting innovations to Simulated Gaming™ and its applications ahead.

MARKET REVIEW

Real money regulated intra-State Internet gaming in the US remains focused on New Jersey's fast-growing market. While the regulatory cycle continued to experience delays, Simulated Gaming™ matured into the market-leading model adopted by major US casinos in advance of (and in addition to) regulated real money Internet gaming.

Regulated US Internet Gaming

In 2016 there were approximately 940 land-based casinos in America located in 39 States. The aggregate economic benefit to the US economy directly related to gaming is estimated to be over $240bn. In contrast, only three US States permitted Internet gaming, of which the State of New Jersey accounted for $197m – the overwhelming majority of US Internet gaming in 2016.

2016 was New Jersey's third full year of Internet gaming and that State's Internet gaming market grew more than 32% year-on-year compared to New Jersey's seven land-based casinos that together saw declining revenues in the same period from $2.4bn to $2.28bn. Accordingly, New Jersey's $197m in Internet gaming revenues represented 9% of New Jersey land-based gaming revenues generated in the same year.

By way of reminder, in 2013 the first three US States regulated intra-State real money Internet gaming permitted within their State's borders: Nevada (pop. <3m); Delaware (pop. <1m); and New Jersey (pop. 9m). In 2016, for the third year running, no new US State regulated Internet gaming. Despite this, diverse forms of State legislation designed to regulate Internet gaming continued through the complicated legislative process.

There are four US States actively considering regulation of intra-State Internet gaming: Pennsylvania, New York, Massachusetts, and Michigan.

The 'next State to regulate' is generally believed by industry observers to be the State of Pennsylvania (pop. 12.8m), which has a substantial existing land-based casino industry comprising 12 land-based casinos which together generated land-based gaming revenues of $3.22bn.

Pennsylvania made significant progress towards regulation of Internet gaming through the course of 2016, with a comprehensive bill appearing in the Pennsylvania House of Representatives for active voting on various proposed amendments in Spring of 2017. If this legislation is enacted in the future, residents of Pennsylvania will be permitted to play casino games online for real money in a similar manner to their neighbouring State of New Jersey.

Simulated Gaming™ – now a market proven product: High-margin revenue stream generated online from existing customer database; attracts new customer demographics; reactivates long-term lapsed customers; improves frequency of customers' visitation to the casino; and increases gaming revenue generated inside the casino from existing customers.

Social Casino Gaming

In the meantime for the 900+ US casinos which do not sit within those three regulated US States or those four US States actively considering regulation, an alternative Internet gaming business model is required. Social casino gaming is the obvious alternative market, where end-user consumers buy time online for the entertainment value of playing casino games, without receiving the opportunity to win real money. The top three countries for social casino gaming are the United States, Canada and Australia where in all cases real money Internet gaming is not permitted nationwide.

The global social casino gaming market reached $3.81bn in 2016 with well over $2bn generated from US-resident players. GAN's Simulated Gaming™ enterprise solution is specifically designed for US casino operators seeking to enter the social casino gaming market. In the absence of real money regulated Internet gaming, social casino gaming has emerged as an alternative business model serving the latent demand for a high-quality Internet gaming experience.

Traditional casino operators who wish to participate in the social casino market generally have three options for market entry: 1: Build their own technology; 2: Acquire an existing social casino operator; or 3: Adopt an enterprise software solution from a third party provider such as GAN.

Market Conditions

Through the course of 2016 GAN acquired key additional client relationships including The Chickasaw Nation, Red Rock Resorts, Turning Stone, and Twin River. GAN enjoyed significant momentum in acquiring new major casino operators as clients following continued successes in key performance indicators of both our social and real money gaming platforms. With three of the four additional partnerships being large-scale multi-property enterprises, GAN continues to be positioned as the platform of choice for casino operators seeking to move online.

Growth in registrations for Simulated Gaming™

+131%

Simulated Gaming™ Player Days represent an increase of 110% from 2015

5.6m

Number of Simulated Gaming™ customers live at year end. 2 new customers launched in Q4

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CHIEF EXECUTIVE OFFICER'S REPORT

Overview

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

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

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

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

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

GAN's enterprise-level technology platform for Internet gaming is a truly scarce asset, managed by an equally scarce team of experienced specialists managing one of a handful of fast-growing real money Regulated Gaming businesses in New Jersey. Real money Regulated Gaming in New Jersey has proved materially different in both general practice and specific technical requirements when compared with European markets. GAN is positioned to capture significant market share in any incremental US intra-State markets which may regulate Internet gaming over time, including Pennsylvania, New York and Michigan.

The Company's diverse Internet gaming solutions are principally delivered to US clients by utilising the SaaS model, which, combined with GAN's underlying infrastructure-as-a-service (IaaS) model and ancillary professional services enables clients to create significant incremental value online from their existing end user patrons of their land-based casino properties.

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

Strategy

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

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

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

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

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

Products

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

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

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

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

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

Marketing and Support Services

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

FINANCIAL AND OPERATIONAL REVIEW

Revenues from the US market have grown year on year by 66% and now account for 64% of total Group revenues.

Summary

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

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

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

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

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

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

Revenue

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

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

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

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

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

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

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

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

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

Key performance indicators

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

PRINCIPAL RISKS AND UNCERTAINTIES

The risks outlined below are those risks and uncertainties that the Board considers material to the Group. They are not presented in any order of priority. There may be other risks that are either currently unknown, or considered by the Board to be immaterial, which could adversely affect the Group's business, results of operation or financial condition.

The Board routinely monitors risks that could materially and adversely affect the Group's ability to achieve strategic goals, financial condition and results of operations. The Board is supported by senior management personnel who collectively play a key role in risk management and regularly report to the Board.

Risk Category	Description	Mitigation
Legal and regulatory risks		
Loss of licenses	The Group holds a number of licenses for its activities from regulators. The loss of all or any of these licenses may adversely impact on the revenues and/or reputation of the Group.	The Group has established a compliance team, whose role is to develop relationships with regulators, monitor the regulatory environment closely, and ensure continuation of all necessary licenses and permits to allow the Group to continue its business.
Changes in regulations	Laws, regulations and taxation in the gambling sector are complex, inconsistent and evolving. The Group licenses its products to operators in the online gaming industry whose ability to operate in any jurisdiction may be impacted by changes in regulations, or failure to obtain any necessary licenses. In addition there can be no guarantee that a jurisdiction will not change its licensing requirements nor that revenue streams that currently do not require a licence will continue without additional regulations or additional taxation or that further states will regulate online real money gaming.	As an established regulated supplier to the online gambling sector, the Group is vigilant over legal and regulatory issues that may apply to its activities, not only in those jurisdictions where the Group is located but also where its licensees are operating using GAN software and services. In addition, the Group has diversified its risk by obtaining multiple licences in the UK, Alderney, and New Jersey in the US.
New licensing requirements	In newly regulated markets, new licensing regimes may impose licensing conditions, such as the requirement to locate significant technical infrastructure within the relevant territory or establish real-time data interfaces with the regulator that present operational challenges, or may stop the licensee being able to offer the full range of the Group's products.	The Group closely monitors developments in jurisdictions seeking to introduce or change regulations. The Group works to establish close relationships and actively participates in groups such as the Remote Gambling Association to help shape new licensing regulations.
The market place		
Competition	The online gambling market is highly competitive. Failure to compete effectively may result in loss of licensees and also the inability to attract new licensees.	The Group closely monitors competition and continues to invest significant resources to improve its technology, products and services. In addition the Group has a diversified geographical base which spreads the competitive risk.

Risk Category	Description	Mitigation
Technology		
Dependence on technology	The Group's operations are highly dependent on technology and advanced information systems and there is a risk that such technology or systems could fail. The Group may be adversely affected by activities such as system intrusions, denial of service attacks, virus spreading and phishing.	The Group has in place data recovery and systems recovery procedures, security measures and business continuity plans in the event of failure or disruption, or damage to, the Group's technology or systems.
Customers		
Fraud	As an Operator (MoneyGaming.com), the Group experiences fraudulent activity on customer accounts in the form of deposits from stolen credit cards and debit cards. These amounts are written off as a loss to the business.	The Group has a compliance team whose role is to monitor transactions for signs of fraudulent activity and to carry out Know-Your-Customer procedures. Reports from the Management Information System (MIS) are used by the compliance team to monitor possible fraudulent activities. The Group sources multiple payment providers to mitigate for risk of losing any single funding channel.
Risk of reliance on major licensees	The Group operates a revenue share model with its licensees meaning results can be impacted by poor performance of its licensees or by its licensees choosing to withdraw from a particular market.	The Group has continued to diversify its licensee base and develop its business in stable regulated markets and also by the expansion of its Simulated Gaming™ product in the US and Australian markets.
Employees		
Reliance on key personnel	The Group's future success depends on the continued service of senior management and key technical personnel, the retention of which cannot be guaranteed.	The Group has a performance evaluation system to identify key talent and to ensure that key personnel are appropriately rewarded and incentivised. This is through a mixture of annual bonuses and long-term incentives such as share options.

On behalf of the Board

Desmond Glass
Chief Financial Officer

CORPORATE SOCIAL RESPONSIBILITY

The Group has an open, honest and responsible approach towards its stakeholders which include its employees, suppliers, customers, investors and the wider community.

Responsible gaming
As both a direct to consumer and business to business provider of games of skill and chance in regulated markets, GAN plc has placed our responsible gaming policies and tools at the core of our vision to provide industry leading entertainment in a socially responsible fashion.

We also, in conjunction with our partners, NetIDMe and Aristotle, provide our partners with robust age verification processes to ensure that no minors can access our games.

Regulation
GAN plc is licensed and regulated by the UK Gambling Commission, The Alderney Gambling Control Commission, the Amministrazione Autonoma dei Monopoli di Stato (Autonomous Administration of State Monopolies) in Italy and the New Jersey Division of Gaming Enforcement. We are also approved by GamCare who are a leading UK charity advising and assisting those with a gambling problem.

All of the organisations above have different requirements and regulations and the Group is proud that we exceed these in all areas of responsible gaming.

All of our games are certified and tested by GLI (Gaming Laboratories International) and NMi Metrology & Gaming Ltd both of whom are the industry standard for Online Gaming testing and certification.

Money laundering
GAN provides a range of proprietary and third party tools to our partners to identify and monitor fraud and money laundering. Our in-house analytics software monitors all deposit and withdrawal attempts as well as all gameplay. Our system has the ability to notify staff members of any suspicious transactions or gameplay and automatically suspend any account which has been involved in such activity.

Our system also actively monitors all skill games to ensure no user can gain an unfair advantage by using bots or automated gameplay systems.

We also provide third party tools from leading payment processors such as WorldPay, CAMS, Vantiv and Lexis/Nexis in order to ensure all monies on our networks are from legitimate sources.

Employees
GAN plc is committed to maintaining a working environment in which diversity and equality of opportunity is actively promoted and all unlawful discrimination is not tolerated. The Group values diversity and to that end recognises the educational and business benefits of diversity amongst its employees, applicants and other people with whom we have dealings.

GAN plc are committed to ensuring employees are treated fairly and are not subjected to unfair or unlawful discrimination.

Software and reporting
Responsible gaming and player protection lies at the heart of our software. Our platform services allow our partners to offer their players an array of tools to control their spending including deposit limits, wagering limits, time limits, self-exclusion and cooling-off periods.

This coupled with sophisticated reporting and analytics allows our partners to identify potentially compulsive behaviour and take the required action to ensure the protection of any vulnerable players.

Our team are extensively trained in the area of responsible gaming. Our team members are trained to effectively and sympathetically assist any player displaying signs of gambling addiction and guide them in the correct direction to seek assistance.

Environment
The Group has a relatively low environmental impact by virtue of the fact that it is an online business. We engage in office recycling for a wide range of materials to reduce the amount of waste sent to landfill.

We also offer a cycle to work scheme to our employees to help reduce the local congestion and pollution as well as to improve the employees' health through physical exercise. In addition, we provide a significant contribution towards employees' gym membership.

The strategic report on pages 1 to 16 is approved by the Board of directors and signed on their behalf:

Desmond Glass
Chief Financial Officer
26 May 2017

Dermot Smurfit
Chief Executive Officer
26 May 2017

CORPORATE GOVERNANCE STATEMENT

As an AIM listed Group, GAN plc is not required to follow the provisions of the UK Corporate Governance Code (the Code). The Board however recognises the importance and value of good corporate governance procedures and accordingly have selected those elements of the Code that they consider relevant and appropriate to the Group, given its size and structure.

The Board

The Board comprises five directors including two executive directors and three non-executive directors including the Chairman. The Board meets regularly to consider strategy, performance and the framework of internal controls.

The Board of directors comprises a mix of the necessary skills, knowledge and experience required to provide leadership, control and oversight of the management of GAN plc and to contribute to the development and implementation of strategy. In particular, the Board comprises a group of directors with diverse backgrounds within the technology and related sectors, in both public and private companies, which combine to provide the Board with the resources and expertise to drive the continuing development of the Group and advance its commercial objectives.

The directors have established an audit committee, a remuneration committee and a nomination committee with formally delegated roles and responsibilities. Each of the committees currently comprises three non-executive directors and meets at least twice each year.

Committees

The audit committee is responsible for ensuring that the financial performance of the Group is properly reported on and monitored and for meeting the auditors and reviewing the reports from the auditors relating to accounts and internal control systems. It meets at least once a year with the auditors without executive directors present. The audit committee is comprised of Roger Kendrick, Seamus McGill and Michael Smurfit Jr. and chaired by Roger Kendrick. Roger Kendrick is deemed to have recent and relevant financial experience and is the audit committee financial expert.

The remuneration committee reviews the performance of the executive directors and sets and reviews the scale and structure of their remuneration. The committee also reviews the basis of the executive directors' remuneration and the terms of their service agreements with due regard to the interests of shareholders. In determining the remuneration of executive directors, the remuneration committee will seek to enable the Group to attract and retain staff of the highest calibre. The remuneration committee will also make recommendations to the Board concerning the allocation of share options to employees. No director is permitted to participate in discussions or decisions concerning his own remuneration. The remuneration committee is comprised of Seamus McGill, Roger Kendrick and Michael Smurfit Jr. and chaired by Seamus McGill.

The nomination committee is responsible for reviewing the size, structure and composition of the Board, succession planning, the appointment of replacement and/or additional directors and for making the appropriate recommendations to the Board. It meets at least once a year with the auditors without executive directors present. The nomination committee is comprised of Michael Smurfit Jr., Seamus McGill and Roger Kendrick and is chaired by Michael Smurfit Jr.

Internal control

The Group has adopted a share dealing code in conformity with the requirements of Rule 21 of the AIM Rules and ESM Rules and will take steps to ensure compliance by the Board and the Group's employees with the terms of the code.

The Bribery Act 2010 ('Bribery Act') which came into force in the UK on 1 July 2011 prescribes criminal offences for individuals and businesses relating to the payment of bribes and, in certain cases, a failure to prevent the payment of bribes. The Group has therefore established procedures designed to ensure that no member of the Group engages in conduct for which a prosecution under the Bribery Act may result.

DIRECTORS' REPORT

The directors submit their report and the financial statements of GAN plc for the year ended 31 December 2016.

Principal activities
The activity of the Group divides into two principal areas:

- the provision and development of real money gaming software and the supply of Internet gaming systems to the online industry; and
- the provision and development of simulated gaming software and underlying systems to existing casino operators in both the US and other significant international markets.

Results and dividends
The result for the Company and the Group for the year ended 31 December 2016 show total net revenue of £7.8m (2015: £6.0m) and a net loss after tax of £3.8m (2015: loss £5.0m).

The Board does not recommend the payment of a dividend for 2016 (2015:£nil).

The Group's consolidated financial statements are set out on pages 24 to 50. For a more detailed review of the Group's results see the Chief Executive's report and the strategic report.

Please refer to note 23 of the financial statements for more information on post balance sheet events.

Please refer to the Chief Executive's report for an overview of the Group's future developments.

Please refer to note 2.9 of the financial statements for more details on financial instruments and note 3 for details on the exposure to credit, liquidity, cash flow and other financial risks.

Annual General Meeting
The Annual General Meeting of the Company will be held on 26 June 2017. Notice of this meeting will be sent under separate cover.

Directors
The following directors have held office since 1 January 2016:

Seamus McGill
Dermot S Smurfit
Desmond Glass
Michael Smurfit Jr.
Roger Kendrick
David O'Reilly (Resigned 15 March 2017)

Details of share options granted during the current and prior years to directors are as follows:

	Share options	Date of grant	Exercise price	Date first exercisable	Expiry date
Dermot Smurfit	750,000	29.10.2010	22p	29.10.2011	28.03.2018
Dermot Smurfit	200,000	28.03.2012	22p	28.03.2013	28.03.2018
David O'Reilly	75,000	01.08.2013	60p	01.08.2015	01.08.2020
Michael Smurfit	50,000	01.08.2013	60p	01.08.2015	01.08.2020
Roger Kendrick	50,000	01.08.2013	60p	01.08.2015	01.08.2020
Desmond Glass	150,000	01.08.2013	60p	01.08.2015	01.08.2020
Desmond Glass	171,000	15.08.2014	135p	15.04.2015	15.08.2019
Dermot Smurfit	171,000	15.08.2014	135p	15.04.2015	15.08.2019
Desmond Glass	130,000	10.03.2015	50p	10.03.2016	10.03.2020
Dermot Smurfit	125,000	10.03.2015	50p	10.03.2016	10.03.2020
Dermot Smurfit	100,000	18.07.2016	31.5p	18.07.2017	18.07.2021
Desmond Glass	100,000	18.07.2016	31.5p	18.07.2017	18.07.2021

Significant shareholdings
As of 31 December 2016 the Company had been advised of the following significant shareholders:

Shareholders	No of Ordinary shares	%
Sir Michael Smurfit	10,865,554	15.5%
Dermot S Smurfit	9,113,447	13.0%
Andrew Black	5,480,860	7.8%
Anthony Smurfit	5,403,840	7.7%
IIU Nominees Limited	4,710,288	6.7%
Artemis Funds	3,236,296	4.6%
Odey Asset Management	2,880,000	4.1%
David O'Reilly	2,756,669	3.9%
Roger Kendrick	2,513,821	3.6%

Third party indemnity provision for directors
Qualifying third party indemnity provision is in place for the benefit of all directors of the Company.

Research and development
The Group maintains its level of investments in software development activities. In the opinion of the directors, continuity of investment in this area is essential to strengthen the Group's market position and for future growth.

Going concern
The Groups' business activities, together with the factors likely to affect its future performance and position are set out in the Chairman's, Chief Executive Officer's and strategic reports. Notes 3 and 15 to the financial statements set out the Group's financial risk management policies and its exposure to credit risk and liquidity risk.

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 suppliers and software providers and are satisfied that the appropriate contracts and contingency plans are in place. The directors have prepared forecasts to assess whether the Group has adequate resources for the foreseeable future.

In April 2017 the Board announced raising additional capital of £2,001,483 by way of a conditional placing and open offer of 9% Unsecured Convertible Loan Notes 2022.

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.

Statement as to disclosure of information to the auditor
The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditor
A resolution to reappoint BDO LLP as the Group's auditors will be submitted to the Board at the Annual General Meeting.

On behalf of the Board

Desmond Glass
Chief Financial Officer
26 May 2017

DIRECTORS' RESPONSIBILITIES
in the preparation of financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and parent Company financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication
The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

DIRECTORS AND OFFICERS

Directors

Seamus McGill
(Non-executive Chairman)
Seamus joined the Board of GAN in April 2015. Seamus has 20 years' experience in the gaming and technology industries and most recently was President of Joingo, a mobile software company in San Jose, California, with overall responsibility for company growth and financial performance. Prior to Joingo, Seamus spent five years at Aristocrat Technologies, the second largest manufacturer of slot machines and gaming solutions in the world. At Aristocrat, he was Chief Operating Officer of the Americas with responsibility for the North American, Canadian and Latin American markets. Prior to Aristocrat, he held senior positions at Cyberview Technology, WMS Gaming Inc. and Mikohn Gaming Corporation.

Desmond Glass
(Chief Financial Officer)
Des joined GAN in 2008. Des has extensive finance and operations experience with media and online companies in the US and Europe. Previously, Des worked as Senior Finance Director at Rodale where he was responsible for delivering the financial strategy for its international division. Prior to this, Des was Vice President for Finance at PredictIt.com, a publicly quoted Internet start-up, and held senior financial positions with Primedia Inc and Capital Cities/ABC Inc. while based in New York. Des trained with Deloitte LLP in Dublin and holds a Masters in Business Administration from Imperial College London, a Bachelor of Commerce from University College Dublin and is a Fellow of the Institute of Chartered Accountants in Ireland.

Dermot Smurfit Jr.
(Chief Executive Officer)
Dermot joined GAN in 2002. Dermot previously worked in the European Investment Banking team of SoundView Technology Group. Dermot has operational and management experience in online gaming through his experience with GAN, together with M&A, strategic advisory and private equity financing experience in the gaming technology industry. Dermot is a qualified (non-practising) UK lawyer specialised in corporate finance. Dermot's education encompasses an LLB in Law from Exeter University, the Legal Practice Course from the College of Law (UK) and the Investment & Corporate Finance Advisory qualification from the UK's Financial Conduct Authority.

Michael Smurfit Jr.
(Non-executive director)
Michael joined the Board of GAN in June 2008. Michael is Chief Executive of S.F. Investments, a privately held company that manages worldwide investments on behalf of the Smurfit family. Michael is a director of a number of companies and previously held a number of senior positions within the Jefferson Smurfit Group both in Europe and the US.

Roger Kendrick
(Non-executive director)
Roger joined the Board of GAN in June 2008. Roger is an entrepreneur and an experienced non-executive director, representing both private equity investors and personal investments. Roger has a track record of investing in numerous high growth companies, including gaming and Internet businesses and has significant experience of acquisitions and disposals. Roger has a BA in Business Finance and an MSc (MBA) from London Business School.

Senior Management

Simon Knock
(Chief Operating Officer)
Simon joined GAN in September 2010 as Technical Director, bringing over ten years of Internet gambling industry experience. Prior to GAN, Simon held various technology development and management roles with UK operator William Hill and operations roles with Canadian online gaming software developer Cryptologic, Inc. Simon has a software engineering background, originally developing UK government revenue systems and private sector logistics products.

Giuseppe Gardali
(Commercial Operations director)
Giuseppe joined GAN in August 2008, to write his Diploma thesis, "Strategies for entering International Markets – Applicable to the Gambling Industry". His versatile profile allowed him to become Italy Country Manager, Global Operations Director, to finally be included in GAN's management team in 2016 as Commercial Operations Director. Prior to GAN, Giuseppe gained business experience in companies like Daimler Chrysler and Siemens, doing projects interlinked with his studies in Germany, respectively in Business Administration and Engineering as well as Associated Engineering in communication systems.

Michael Daly
(Executive Vice President, North America)
Michael joined GAN in July 2015 to manage the growing portfolio of US customers and the North American P&L. Michael is a seasoned executive who has been overseeing large and small organizations' products, sales, operations, and P&L for the last 20+ years. Previous to GAN, Michael held the positions as Vice President of Interactive at SHFL entertainment and Bally Technologies (Scientific Games).

Dana Takrudtong
(Vice President of Sales and Marketing)
Dana has been with GAN since 2013, joining as employee number two in the US market. She's responsible for commercial development and new client acquisitions in the North American market, GAN's global brand management, and investor and media relations. Prior to joining GAN, Dana was the acting National Account Manager for Williams Interactive (Scientific Games).

INDEPENDENT AUDITORS' REPORT
to the members of GAN plc

We have audited the financial statements of GAN plc for the year ended 31 December 2016 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and the related notes. The financial reporting framework that has been applied in the preparation of the Group and parent Company financial statements is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union, and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit, the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Dominic Stammers (Senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
29 May 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2016

	Notes	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Continuing Operations			
Gross income from gaming operations and services	2.3	**31,675**	25,837
Net revenues	4	**7,803**	6,011
Distribution costs		**(7,423)**	(5,384)
Administrative expenses		**(5,600)**	(6,250)
Total operating costs		**(13,023)**	(11,634)
Clean EBITDA		**(932)**	(3,018)
Depreciation	11	**(375)**	(438)
Amortisation of intangible assets	10	**(3,203)**	(1,801)
Impairment of intangible assets		**(411)**	–
Exceptional costs	6	**(142)**	(355)
Employee share-based payment charge	17	**(157)**	(11)
Operating (loss)	6	**(5,220)**	(5,623)
Finance income	8	**21**	19
(Loss) before taxation		**(5,199)**	(5,604)
Tax credit	9	**1,440**	582
(Loss) for the year attributable to owners of the Group and total comprehensive income for the year		**(3,759)**	(5,022)
Earnings per share attributable to owners of the parent during the year			
Basic (pence)	18	**(5.81)**	(8.99)
Diluted (pence)	18	**(5.81)**	(8.99)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Notes	At 31 December 2016 £'000	At 31 December 2015 £'000
Non-current assets			
Intangible assets	10	**6,433**	5,570
Property, plant and equipment	11	**479**	884
Lease deposits	12	**170**	170
Deferred tax asset	9	**–**	510
		7,082	7,134
Current assets			
Trade and other receivables	12	**2,834**	2,851
Research and Development tax credit receivable	9	**1,061**	–
Cash and cash equivalents	13	**3,179**	3,779
Total assets		**7,074**	6,630
Current liabilities		**14,156**	13,765
Trade and other payables	14	**2,995**	3,231
Total current liabilities		**2,995**	3,231
Non-current liabilities			
Other payables	14	**221**	350
Total non-current liabilities		**221**	350
Equity attributable to equity holders of parent			
Share capital	16	**701**	560
Share premium account		**18,809**	14,592
Retained (deficit)/earnings		**(8,570)**	(4,968)
		10,940	10,184
Total equity and liabilities		**14,156**	13,765

The financial statements on pages 24 to 50 were approved and authorised for issue by the Board of directors on 26 May 2017 and were signed on its behalf by:

Desmond Glass
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2016

	Notes	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Cash flow from operating activities			
(Loss) for the year after taxation		**(3,759)**	(5,022)
Adjustments for:			
Amortisation of intangible assets	10	**3,203**	1,801
Impairment of intangibles	10	**412**	–
Depreciation of property, plant and equipment	11	**375**	438
(Profit)/Loss on disposal of fixed asset	11	**77**	–
Share-based payment expense	17	**157**	11
Tax credit	9	**(1,440)**	(582)
Finance income	8	**(21)**	(19)
Foreign exchange		**(408)**	23
Operating cash flow before movement in working capital and taxation		**(1,404)**	(3,350)
Decrease/(increase) in trade and other receivables		**(566)**	398
Increase/(decrease) in trade and other payables		**(236)**	657
Taxation		**1,471**	–
Net cash flows from operating activities		**(735)**	(2,295)
Cash flow from investing activities			
Interest received		**21**	19
Purchase of intangible fixed assets	10	**(4,480)**	(4,175)
Purchases of property, plant and equipment	11	**(46)**	(517)
Net cash used in investing activities		**(4,505)**	(4,673)
Cash flow from financing activities			
Net proceeds on issue of shares	16	**4,358**	19
Net cash generated from financing activities		**4,358**	19
Net (decrease) in cash and cash equivalents		**(882)**	(6,949)
Cash and cash equivalents at beginning of year	13	**3,779**	10,776
Effect of foreign exchange rate changes		**282**	(48)
Cash and cash equivalents at end of year	13	**3,179**	3,779

COMPANY STATEMENT OF FINANCIAL POSITION
as at 31 December 2016

	Notes	At 31 December 2016 £'000	At 31 December 2015 £'000
Non-current assets			
Intangible assets	10	**6,424**	5,544
Property, plant and equipment	11	**440**	845
Lease deposits	12	**170**	170
Deferred tax asset	9	**–**	510
		7,034	7,069
Current assets			
Trade and other receivables	12	**3,286**	3,231
Research and Development tax credit receivable	9	**1,062**	–
Cash and cash equivalents	13	**2,817**	3,287
		7,165	6,518
Total assets		**14,199**	13,587
Current liabilities			
Trade and other payables	14	**2,883**	3,000
Total current liabilities		**2,883**	3,000
Non-current liabilities			
Other payables	14	**221**	350
Total non-current liabilities		**221**	350
Equity attributable to equity holders of parent			
Share capital	16	**701**	560
Share premium account		**18,809**	14,592
Retained (deficit)/earnings		**(8,415)**	(4,915)
		11,095	10,237
Total equity and liabilities		**14,199**	13,587

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Group loss for the year includes a loss after tax of £3,657,000 (2015: loss of £6,238,000), which is dealt with in the financial statements of the parent Company.

The financial statements on pages 24 to 51 were approved and authorised for issue by the Board of directors on 26 May 2017 and were signed on its behalf by:

Desmond Glass
Chief Financial Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Retained (deficit)/ earnings £'000	Total equity £'000
At 31 December 2014	559	14,574	1,312	16,445
Loss and total comprehensive income for the year	–	–	(6,238)	(6,238)
Employee share-based payment charge	–	–	11	11
Issue of equity share capital	1	18	–	19
At 31 December 2015	560	14,592	(4,915)	10,237
Loss and total comprehensive income for the year	–	–	(3,657)	(3,657)
Employee share-based payment charge	–	–	157	157
Issue of equity share capital	141	4,217	–	4,358
At 31 December 2016	**701**	**18,809**	**(8,415)**	**11,095**

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

COMPANY STATEMENT OF CASH FLOWS
for the year ended 31 December 2016

	Notes	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Cash flow from operating activities			
(Loss) for the year after taxation		**(3,657)**	(6,239)
Adjustments for:			
Amortisation of intangible assets	10	**3,185**	1,783
Impairment of intangibles	10	**412**	–
Depreciation of property, plant and equipment	11	**352**	418
(Profit)/Loss on disposal of fixed asset	11	**77**	–
Share based payment expense	17	**157**	11
Tax credit	9	**(1,440)**	(582)
Finance income	8	**(21)**	(19)
Foreign exchange		**(395)**	23
Operating cash flow before movement in working capital and taxation		**(1,332)**	(4,605)
Decrease/(increase) in trade and other receivables		**(638)**	1,316
Increase/(decrease) in trade and other payables		**(118)**	654
Taxation		**1,471**	–
Net cash flows from operating activities		**(617)**	(2,635)
Cash flow from investing activities			
Interest received		**21**	19
Purchase of intangible fixed assets	10	**(4,480)**	(4,175)
Purchases of property, plant and equipment	10	**(21)**	
Proceeds from sale of fixed assets	11	**–**	(485)
Net cash used in investing activities		**(4,480)**	(4,641)
Cash flow from financing activities			
Proceeds on issue of shares	16	**4,359**	19
Net cash generated from financing activities		**4,359**	19
Net (decrease) in cash and cash equivalents		**(738)**	(7,257)
Cash and cash equivalents at beginning of year	13	**3,287**	10,592
Effect of foreign exchange rate changes		**269**	(48)
Cash and cash equivalents at end of year	13	**2,818**	3,287

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2016

1. Basis of preparation
The financial statements 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 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').

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

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

New standards, amendments to standards and interpretations have been issued but are not effective (and in some cases had not yet been adopted by the EU) for the financial year beginning 1 January 2016. These have not been early adopted and the directors are still considering the potential impact of IFRS 9: Financial Instruments, IFRS 15: Revenue from Contracts with customers and IFRS 16: Leases.

2. Summary of significant accounting policies
The principal accounting policies adopted are set out below.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2016

2. Summary of significant accounting policies continued

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.

2.2 Revenue recognition

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

(a) B2C

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

(b) B2B

Revenue share and other services

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

Game and platform development

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

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

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

2. Summary of significant accounting policies continued

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.

2.3 Gross income from gaming operations and services

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

2.4 Distribution costs

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

2.5 Administrative expenses

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

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

2.6 Intangible assets

Externally acquired intangible assets

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

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

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

Internally generated intangible assets (development costs)

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

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

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

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

2.7 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2016

2. Summary of significant accounting policies continued

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.

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 assets 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.

2. Summary of significant accounting policies continued

Research and development tax

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

Deferred tax

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

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

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

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

2.11 Operating leases

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

2.12 Share-based payments

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

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

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

3. Financial risk management (see also note 15)

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 cooperation 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2016

3. Financial risk management continued
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.

3.8 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 judgements that affect the application of policies and reported amounts. Estimates and judgements 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	10
Taxation	9

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.

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 9.

3. Financial risk management continued

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

5. Segmental information

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

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

Segment revenues and results

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

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

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

5. Segmental information continued

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

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

Segment assets and liabilities

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

Geographical analysis of revenues

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

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

Information about major customers

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

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

Geographical analysis of non-current assets

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

6. Operating (loss)

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

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Staff costs (note 7)	3,450	3,646
Auditor's remuneration:		
Audit	55	55
Taxation	–	–
Others	5	5
Amortisation of intangibles	3,203	1,801
Depreciation on property, plant and equipment	375	438
Foreign exchange (gains)/losses	(408)	23
Rent payable under operating leases	299	325
Employee share-based payment charge (note 17)	157	11
Loss on disposal of fixed assets (note 11)	77	–

6. Operating (loss) continued

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

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

6.2 Exceptional costs

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

7. Staff costs

	Year ended 31 December 2016	Year ended 31 December 2015
The average number of employees (including executive directors) employed was:		
Management	**10**	6
Administration and technical staff	**93**	96
	103	102

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
The aggregate remuneration of the above employees comprised (including directors):		
Wages and salaries	**5,684**	5,798
Social security costs	**583**	697
Pension costs	**173**	129
Employee share-based payment charge	**157**	11
	6,597	6,635

Employee remuneration (including directors) incurred by the parent company totalled £5,483,619 (2015: £5,646,108) and average number of employees was 90 (2015: 96).

Total staff costs included in capitalised development costs for the year was £2,990,201 (2015: £2,849,623) and are reflected within note 10 of the financial statements.

The remuneration of the directors, who are part of the key management personnel of the Group, is set out below:

	Fee/Salary £'000	Bonuses £'000	Share-based payments £'000	Total 2016 £'000	Total 2015 £'000
Desmond Glass	157	–	19	**176**	155
David O'Reilly	50	–	3	**53**	50
Dermot S Smurfit	256	–	47	**303**	259
Michael Smurfit Jr.	30	–	2	**32**	30
Roger Kendrick	30	–	2	**32**	30
Seamus McGill	169	–	–	**169**	45
	692	–	73	**765**	569

7. Staff costs continued

The aggregate remuneration for key management personnel comprised:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Wages and salaries	**1,342**	1,056
Relocation cost	**113**	93
Social security costs	**47**	118
Employee share-based payment charge	**118**	7
	1,620	1,274

The remuneration of the highest paid director is set out below:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
The aggregate remuneration comprised directors' remuneration	**303**	256
	303	256

The directors' interests in share options, over ordinary shares in the Company, were as follows;

	Share options at the beginning of the year	Granted during the year	Exercised during the year	Total 2016	Total 2015
Desmond Glass	451,000	100,000	–	**551,000**	451,000
David O'Reilly	75,000	–	–	**75,000**	75,000
Dermot S Smurfit	1,246,000	100,000	–	**1,346,000**	1,246,000
Michael Smurfit Jr.	50,000	–	–	**50,000**	50,000
Roger Kendrick	50,000	–	–	**50,000**	50,000
Seamus McGill	–	–	–	**–**	
	1,872,000	200,000	–	**2,072,000**	1,872,000

8. Finance income

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

9. Taxation

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

9. Taxation continued

The total tax charge/(credit) can be reconciled to the overall tax charge as follows:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Factors affecting tax credit for year: The tax assessed for the relevant year is lower than the average standard rates of corporation tax in the UK. The differences are explained below:		
(Loss) before taxation	(5,199)	(5,604)
(Loss) before taxation multiplied by the average standard rates of corporation tax in the UK of 20.00% (2015: 20.25%);	(1,040)	(1,135)
Effects of:		
Other permanent and similar differences, including expenses not deductible for tax purposes	75	76
Current year tax losses not utilised/recognised	1,225	873
Other timing differences not recognized for deferred tax purpose	(260)	186
Research and development relief	(1,950)	(582)
De-recognition of deferred tax asset	510	–
Tax (credit)/charge for year	(1,440)	(582)

The Group has maximum corporation tax losses carried forward at each year end as set out below:

	At 31 December 2016 £'000	At 31 December 2015 £'000
Corporation tax losses carried forward	11,320	14,940

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

	At 31 December 2015 £'000	At 31 December 2014 £'000
At the beginning of the year	510	510
De-recognition of asset during the year	(510)	–
At the end of the year	–	510

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

In addition, the Group has an unrecognised deferred tax asset as follows:

	At 31 December 2016 £'000	At 31 December 2015 £'000
Tax losses carried forward	1,924	2,328
Depreciation in excess of capital allowances	13	40
Short-term timing differences	53	63
	1,990	2,431

10. Intangible assets

(Group)

	Brand assets £'000	Development costs £'000	Licence costs £'000	Total brand assets, development and licence costs £'000
Cost				
At 31 December 2014	–	4,431	259	4,690
Additions	252	3,931	161	4,344
At 31 December 2015	252	8,362	420	9,034
Additions	–	4,322	157	4,480
Impairment	–	(675)	–	(675)
At 31 December 2016	**252**	**12,010**	**577**	**12,839**
Accumulated amortisation				
At 31 December 2014	–	1,631	32	1,663
Charge for the year	6	1,729	66	1,801
At 31 December 2015	6	3,360	98	3,464
Charge for the year	90	3,015	98	3,203
Impairment	–	(261)	–	(263)
At 31 December 2016	**96**	**6,114**	**196**	**6,406**
Net book value				
At 31 December 2014	–	2,800	226	3,026
At 31 December 2015	246	5,002	322	5,570
At 31 December 2016	**156**	**5,898**	**380**	**6,433**

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

(Company)

	Brand assets £'000	Development costs £'000	Licence costs £'000	Total brand assets, development and licence costs £'000
Cost				
At 31 December 2014	–	4,377	258	4,635
Additions	252	3,931	161	4,344
At 31 December 2015	252	8,308	419	8,979
Additions	–	4,322	157	4,479
Impairment	–	(674)	–	(674)
At 31 December 2016	**252**	**11,956**	**576**	**12,784**
Accumulated amortisation				
At 31 December 2014	–	1,621	31	1,652
Charge for the year	6	1,711	66	1,783
At 31 December 2015	6	3,332	97	3,435
Charge for the year	90	2,997	99	3,186
Impairment	–	(263)	–	(263)
At 31 December 2016	**96**	**6,066**	**196**	**6,358**
Net book value				
At 31 December 2014	–	2,756	226	2,982
At 31 December 2015	246	4,976	322	5,544
At 31 December 2016	**156**	**5,890**	**380**	**6,426**

11. Property, plant and equipment

(Group)

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

(Company)

	Fixtures, fittings, equipment and leasehold improvements £'000
Cost	
At 31 December 2014	2,176
Additions	737
Asset reclassification	(252)
At 31 December 2015	2,661
Additions	21
Disposals	(351)
At 31 December 2016	**2,331**
Accumulated depreciation:	
At 31 December 2014	1,398
Charge for the year	425
Asset reclassification	(7)
At 31 December 2015	1,816
Charge for the year	352
Disposal	(277)
At 31 December 2016	**1,891**
Net book value	
At 31 December 2014	778
At 31 December 2015	845
At 31 December 2016	**440**

Asset reclassification relates to hardware of NBV £77,000 which was reclassified to stock for trading and subsequently sold in the period.

12. Trade and other receivables

	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000	Company At 31 December 2015 £'000	Group At 31 December 2015 £'000
Trade receivables	**1,757**	**1,757**	1,309	1,318
Other receivables	**156**	**251**	202	246
Amounts owed by Group undertakings	**657**	**–**	516	–
Prepayments and accrued income	**716**	**826**	622	705
Corporation tax receivable	**–**	**–**	582	582
	3,286	**2,834**	3,231	2,851

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

The ageing of trade receivables that are past due but not impaired is shown below:

	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000	Company At 31 December 2015 £'000	Group At 31 December 2015 £'000
Between one and two months	**98**	**98**	433	433
Between two and three months	**143**	**143**	85	85
More than three months	**649**	**649**	166	172
	890	**890**	684	690

The Group recognised a charge in respect of doubtful receivables in each of the years ended 31 December 2016 and 31 December 2015 of £137,366 and £163,818 respectively representing a decrease of £26,452. The Group has not recognised any further allowances for doubtful receivables because there has not been a significant change in credit quality on any receivable and the amounts are still considered fully recoverable. The Company has fully provided for the balance due from GameAccount Alderney Limited of £501,132 (2015: £171,805).

Standard credit terms are 60 days. Debtor days at each year end were:

	At 31 December 2016	At 31 December 2015
Debtor days (Group and Company)	**82 days**	82 days

In determining the recoverability of trade receivables the Group considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date. As set out in note 16, credit risk is mitigated by the fact that:

1. management monitors the debtor ledger closely on a frequent basis; and
2. a significant proportion of the Group's customers are either large, publicly listed companies or owned by such entities.

Of the trade and other receivables financial instruments as at 31 December 2016, the Group does not have a concentration of credit risk exposure to a single counterparty (2015: £0).

The following trade and other receivable amounts were held in foreign currencies. The remaining balance was denominated in UK Pound Sterling (£).

	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000	Company At 31 December 2015 £'000	Group At 31 December 2015 £'000
United States Dollars	**1,127**	**1,133**	823	831
Euros	**769**	**771**	590	592
Australian Dollars	**23**	**23**	30	30
	1,919	**1,927**	1,443	1,453

The directors believe that the carrying value of trade and other receivables is considered to represent its fair value. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable shown above. The Group does not hold any collateral as security.

12. Trade and other receivables continued

Non-current assets

	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000	Company At 31 December 2015 £'000	Group At 31 December 2015 £'000
Lease deposits	**170**	**170**	170	170
	170	**170**	170	170

Other 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.

13. Cash and cash equivalents

(Group and Company)

	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000	Company At 31 December 2015 £'000	Group At 31 December 2015 £'000
Cash in bank accounts	**2,817**	**3,179**	3,287	3,779

A majority of the Group's cash and cash equivalents are at floating interest rates and are held with Barclays Bank, an institution with an A2 credit rating (long-term, as assessed by Moody's).

The following cash and cash equivalent amounts were held in foreign currencies. The remaining balance was denominated in UK Pound Sterling (£).

	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000	Company At 31 December 2015 £'000	Group At 31 December 2015 £'000
United States Dollars	**975**	**1,438**	263	755
Euros	**308**	**356**	501	501
Australian Dollars	**–**	**17**	35	35
	1,283	**1,811**	799	1,291

The directors consider that the carrying value of cash and cash equivalents approximates to their fair value.

14. Trade and other payables

	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000	Company At 31 December 2015 £'000	Group At 31 December 2015 £'000
Amounts falling due within one year				
Trade payables	**1,576**	**1,600**	1,833	1,880
Other taxation and social security	**145**	**146**	157	157
Other payables	**141**	**170**	149	238
Accruals and deferred income	**1,021**	**1,079**	861	956
	2,883	**2,995**	3,000	3,231

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing and have standard credit terms of 30 day terms. Creditor days as at each year end were:

	At 31 December 2016	At 31 December 2015
Creditor days (Group and Company)	**47 days**	67 days

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14. Trade and other payables continued
The following trade and other payable financial instruments were held in foreign currencies. The remaining balance was denominated in UK Pound Sterling (£).

	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000	Company At 31 December 2015 £'000	Group At 31 December 2015 £'000
United States Dollars	**851**	**873**	946	969
Euros	**131**	**131**	50	50
Australian Dollars	**3**	**3**	–	–
	985	**1,007**	996	1,019

The directors consider that the carrying value of trade and other payables approximates their fair value.

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices.

Non-current liabilities

	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000	Company At 31 December 2015 £'000	Group At 31 December 2015 £'000
Accruals	**160**	**160**	231	231
Deferred consideration	**61**	**61**	119	119
	221	**221**	350	350

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

15. Financial instruments
The Group is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Group for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout this financial information.

Capital risk management
The Group's capital structure is comprised entirely of shareholders' equity.

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.

Principal financial instruments
The principal financial instruments used by the Group, from which financial instrument risk arises are as follows:

- Trade and other receivables
- Trade and other payables
- Cash and cash equivalents

15. Financial instruments continued

Financial assets

The Group held the following financial assets:

	Company At 31 December 2016 £'000	**Group At 31 December 2016 £'000**	Company At 31 December 2015 £'000	Group At 31 December 2015 £'000
Loans and receivables:				
Cash and cash equivalents	**2,818**	**3,179**	3,287	3,779
Trade and other receivables	**5,516**	**2,253**	2,218	1,753
	8,334	**5,432**	5,505	5,532

Financial liabilities

The Group held the following financial liabilities:

	Company At 31 December 2016 £'000	**Group At 31 December 2016 £'000**	Company At 31 December 2015 £'000	Group At 31 December 2015 £'000
Amortised cost:				
Trade payables	**1,576**	**1,600**	1,833	1,880
Other financial liabilities	**1,146**	**1,235**	1,176	1,358
	2,722	**2,835**	3,009	3,238

The Group's Directors monitor and manage the financial risks relating to the operation of the Group. These risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign currency risk management

The Group has exposure to foreign currency risk. Sales invoicing to customers is in UK Pound Sterling, United States Dollars and Euros and the majority of outgoing payments are in UK Pound Sterling and United State Dollar payments.

The Board carefully monitors exchange rate fluctuations and reviews their impact on the net asset and position of the Group. Exchange rates are negotiated with the Group's main provider of banking services as and when needed. The Group does not enter into any derivative financial instruments to manage its exposure to foreign currency risk.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities and details of the exposure at 31 December are shown in notes 12, 13 and 14.

At each year end, if the US Dollar, Euro and Australian Dollar had weakened by 10% against the UK Pound Sterling with all other variables held constant, post tax loss for the year would have increased/(decreased) by:

	Impact of a movement in stated currencies of 10% on post tax profit and impact on equity £'000	Impact of a movement in stated currencies of 20% on post tax profit and impact on equity £'000
At 31 December 2015	(145)	(265)
At 31 December 2016	(354)	(570)

10% to 20% is the sensitivity rate range that represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% and a 20% change in foreign currency rates. A positive version of the number above indicates an increase in profit or other equity where the UK Pound Sterling strengthens by 10% and 20% against the relevant currency. For a 10% or 20% weakening of the UK Pound Sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

The differences are mainly as a result of foreign exchange gains/losses on translation of US Dollar trade and other payables and Euro denominated trade and other receivables. 10% is deemed appropriate for the foreign exchange sensitivity analysis due to the current financial market.

Interest rate risk management

The Group has minimal exposure to interest rate risk. It is exposed to interest rate risk on some of its financial assets being its cash at bank balances. The interest rate receivable on these balances was at an average rate of 0.3% during the year to 31 December 2016 (31 December 2015: 0.3%). The directors currently believe that interest rate risk is at an acceptable level.

15. Financial instruments continued

Due to its minimum exposure to interest rate risk, the Group has not prepared any sensitivity analysis.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises principally from the Group's cash balances and trade and other receivables. The concentration of the Group's credit risk is considered by counterparty, geography and currency.

The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk. The Group has a significant concentration of cash held on deposit with one large bank in the UK, an institution with an A2 credit rating (long-term, as assessed by Moody's). The amounts of cash held on deposit with that bank at each reporting date can be seen in the financial assets table.

An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows, although there have been no such impairments over the review year. Management considers the above measures to be sufficient to control the credit risk exposure.

Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of directors. The Board manages liquidity risk by regularly reviewing the Group's cash requirements by reference to short-term cash flow forecasts and medium-term working capital projections prepared by management.

At 31 December 2016 the Group had £3.2m (31 December 2015: £3.8m) of cash reserves.

Maturity of financial assets and liabilities

With the exception of the lease deposits in note 12 and deferred consideration in note 14, all of the Group's non-derivative financial liabilities and its financial assets in the year to 31 December 2016 and 2015 are either payable or receivable within one year.

16. Share capital (Group and Company)

	Ordinary shares No.
Allotted, issued and fully paid	
At 31 December 2014	55,882,536
Issued during the year (i)	87,500
At 31 December 2015	55,970,036
Issued during the year (ii), (iii), (iv)	14,081,888
At 31 December 2016	**70,051,924**

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

Issue of shares

(i) 87,500 ordinary shares of 1p each were issued at a premium of 21p during the year ended 31 December 2015 to settle vested options.
(ii) 9,331,888 ordinary shares of 1p each were issued at a premium of 27p during the year ended 31 December 2016 generating gross proceeds of £2,612,000
(iii) 1,500,000 ordinary shares of 1p each were issued at a premium of 29p during the year ended 31 December 2016 generating gross proceeds of £450,000.
(iv) 3,250,000 ordinary shares of 1p each were issued at a premium of 39p during the year ended 31 December 2016 generating gross proceeds of £1,300,000.

17. Employee share-based payments

Options have been granted under the Company's share option scheme to subscribe for ordinary shares of the Company as follows:

Number of shares under option	Subscription price per share	Exercise period
750,000	22p	December 2010 to March 2018
200,000	22p	March 2012 to March 2018
18,750	22p	August 2012 to August 2018
150,000	60p	August 2013 to August 2018
306,579	60p	August 2013 to August 2018
24,500	22p	August 2013 to August 2018
810,000	135p	August 2014 to August 2019
871,000	50p	March 2015 to March 2020
1,325,000	31.5p	July 2016 to July 2021
4,455,829		

The weighted average fair value of options granted in each year using the Black Scholes option pricing model was 2015: £0.37 and 2016 £0.55. The weighted average life of shares in issue at the year end was 1.26 years (2015: 1.68 years). The inputs into the Black Scholes model are as follows:

	2016	2015
Weighted average share price	**28.00p**	58.93p
Weighted average exercise price	**31.50p**	50.00p
Expected volatility	**37.0%**	55.1%
Expected life	**3 years**	2 years
Risk free rate	**0.26%**	0.38%
Expected dividends	**0.0%**	0.0%

Expected volatility was determined by reference to the volatility of comparable listed company share prices.

The Group recognised total share-based payments relating to equity settled share-based payment transactions as follows:

	Company At 31 December 2016 £'000	**Group At 31 December 2016 £'000**	Company At 31 December 2015 £'000	Group At 31 December 2015 £'000
Share-based payment charge	**157**	**157**	11	11

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	At 31 December 2016		At 31 December 2015	
	Average exercise price per share	**Number of options**	Average exercise price per share	Number of options
At the beginning of the year	**63p**	**4,121,725**	68p	3,220,725
Granted	**31.5p**	**1,325,000**	50p	1,096,000
Lapsed	**(22p)**	**(162,500)**	–	–
Lapsed	**(56p)**	**–**	(56p)	(12,500)
Lapsed	**(50p)**	**(225,000)**	–	–
Lapsed	**(135p)**	**(110,000)**	(135p)	(95,000)
Lapsed	**(60p)**	**(493,396)**	–	–
Exercised	**–**	**–**	(22p)	(87,500)
At the end of the year	**55p**	**4,455,829**	63p	4,121,725

18. 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.

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

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

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

19. Subsidiaries
The Company owns 100% of the called up ordinary share capital of:

- GameAccount Alderney Limited. The principal activity of GameAccount Alderney Limited is the provision of person-to-person skill-based gaming software. GameAccount Alderney Limited is registered in Alderney, with registered address Inchalla, Le Val, Alderney GY9 3UL
- Game Account Nevada Inc. The principal activity of GameAccount Nevada Inc. is the provision of marketing and support services to other group companies. GameAccount Nevada Inc. is registered in the United States of America, with registered address 10801 W. Charleston Blvd, Suite 125, Las Vegas, NV 89135
- GAN Software Services BG Ltd. The principal activity of GAN Software services BG Ltd is the provision of software development services in support of the Group. GAN Software Services BG Ltd is registered in Bulgaria, with registered address Sofia 1202, r-n Oborishte, ul. "G.S. Rakovski" 42, Bulgaria. UIS 204164230
- Lockbox Games Limited. The principal activity of Lockbox Games Limited is the provision of casual mobile games anticipated in future periods. Lockbox Games Limited is registered in the United Kingdom with registered address: 125 Kensington High Street, London W8 5SF

20. Related party transactions
The remuneration of the key management personnel is shown in note 7.

The Company was invoiced £123,569 by Seamus McGill, who is a director and became Non-executive Chairman subsequent to year end, for consultancy services during the year.

During the year, options over the Company's shares were granted to each of the directors through the share option plan (see note 17). The total number of options granted to directors was 200,000 (2015: 255,000).

Company
The Company has a related party relationship with its wholly owned subsidiaries (see note 19).

During the year, the Company provided working capital to GameAccount Nevada Inc. to support the US sales function and the receivable amounts owed by the subsidiary company for receipts relating to simulated gaming revenues. As at the year ended 31 December 2016, the balance due from GameAccount Nevada Inc. was £298,963 (2015: £516,387). Receipts relating to simulated gaming revenues are to be settled in cash within two months of the reporting date.

20. Related party transactions continued

During the year, the Company provided working capital to GameAccount Alderney Limited to support the B2C operation. As at the year ended 31 December 2016, the balance due from GameAccount Alderney Limited was £501,132 (2015: £171,805) of which £171,805 (2015: 171,805) was provided in the financial statements of the parent company.

All outstanding balances with these related parties are unsecured and are repayable on demand.

21. Operating leases

The total future value of minimum lease payments due is as follows:

Land and buildings	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000	Company At 31 December 2015 £'000	Group At 31 December 2015 £'000
Operating leases				
Not later than one year	480	523	480	551
Later than 1 year not later than 5 years	1,001	1,222	1,441	1,626
Later than 5 years	–	–	40	40
	1,481	1,745	1,961	2,217

22. Contingent liabilities

As part of the Board's ongoing regulatory compliance process, the Board continues to monitor legal and regulatory developments and their potential impact on the Group.

Management is not aware of any contingencies that may have a significant impact on the financial position of the Group.

23. Subsequent events

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

COMPANY INFORMATION

STATUTORY INFORMATION
GAN plc is a Public Limited Company incorporated in the United Kingdom (Registration No. 3883658). The Company's ordinary shares are traded on the Alternative Investment Market of the London Stock Exchange ('AIM') and the Enterprise Securities Market, a market operated by the Irish Stock Exchange ('ESM').

DIRECTORS

Seamus McGill	Non-executive chairman
Dermot S Smurfit	Chief Executive Officer
Desmond Glass	Chief Financial Officer
Michael Smurfit Jr.	
Roger Kendrick	

SECRETARY
Desmond Glass

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