GAN™

DRIVING GROWTH THROUGH INNOVATION

Annual Report and Accounts
2017

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 UK Gambling Commission licence, is certified to some of 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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STRATEGIC REPORT

GOVERNANCE

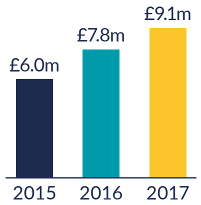
FINANCIAL STATEMENTS

HIGHLIGHTS

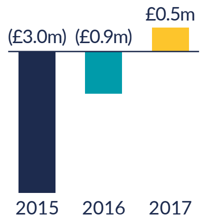
Financial overview

- Net revenue of £9.1m (2016: £7.8m), an increase of 17% on 2016
- Clean EBITDA[1] profit of £0.5m (2016: loss of £0.9m)
- Loss before tax of £4.2m (2016: £5.2m) and loss before tax per share of £0.05 (2016: £0.06)
- Loss after tax of £3.5m (2016: £3.8m)
- Cash and cash equivalents at the end of the year of £2.7m (2016: £3.2m)
- Net assets at the end of the year of £7.6m (2016: £10.9m)
- Raised gross proceeds from share placings of £4.4m in 2016 and an additional £2.0m in April 2017 through a 9% unsecured convertible loan note

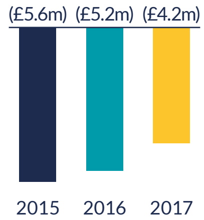
Net revenue



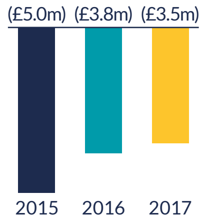
Clean EBITDA[1] profit/(loss)



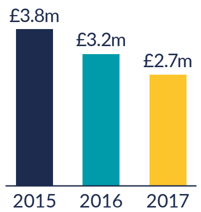
Loss before tax



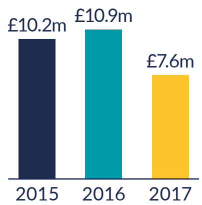
Loss after tax



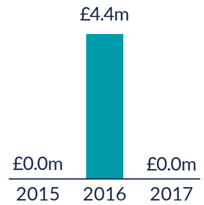
Cash and cash equivalents



Net assets

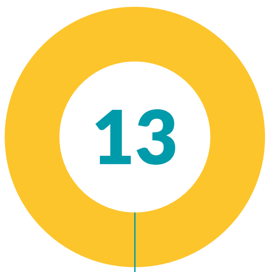


Raised gross proceeds from share placings



Strategic and operational developments

- Launched Simulated Gaming™ in the US for five new US casino clients (2016: three)
- Signed two new US casino clients for real money regulated gaming in New Jersey and European markets
- Continued delivery of Betfair's fast-growing New Jersey Internet casino business BetfairCasino.com reliant on GAN's Internet gaming platform, content and supporting services
- Continued investment in US infrastructure: licensing, offices and people
- Award of a full Casino Service Industry Enterprise in New Jersey, issued by the New Jersey Division of Gaming Enforcement following a multi-year licensing process
- Post period end preparations underway for GAN to launch Parx Casino in Pennsylvania for Internet gaming with the Pennsylvanian Internet gaming market anticipated to commence in H2 2018
- The Company monitors its financing on an ongoing basis and, post period end, having noted in particular the regulatory developments in respect of real money Internet gaming in the US, is currently considering options to enable it to respond to the opportunity that it considers these developments represent



TOTAL NUMBER OF US CASINO PROPERTIES OPERATING SIMULATED GAMING™ ONLINE IN RELIANCE ON GAN

1. Clean EBITDA is a non-GAAP company specific measure and excludes interest, tax, depreciation, amortisation, share-based payment expenses, certain non cash transactions and other items which the directors consider reflects the underlying performance of the business, and excludes non recurring and significant non cash items

GAN 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™ IGS is a highly evolved enterprise software platform developed over 16 years and capable of deploying real money regulated gaming, either online or on-property (inside casinos), 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, the 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 (SaaS) 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 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 2017 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

Operators

The GAN family of partners represents leading US Internet gaming groups, both online and offline. In the US, we have grown our client base to include 13 large-scale bricks and mortar operators and one dedicated online partner, which contracted with GAN for our ability to deliver real money Internet gaming and social gaming from the same core technology stack as well as provide dedicated services pre and post-product launch. Today, the GAN family of partners represents tens of thousands of slot machine units on their floors, and 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 launch partnerships with Station Casinos out of Las Vegas, The Chickasaw Nation of Oklahoma, Turning Stone Resort of New York and Ocean Resort Casino in Atlantic City (formerly known as 'Revel Casino').

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 eight 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 gaming intellectual property (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 which support the GameSTACK™ IGS 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.

Where we are

Global footprint

US

In our forth full year in the US market, GAN continued to serve 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 audiences, GAN is well positioned to be a leading player in the US B2B space.

Bulgaria

GAN's development team continued to expand in Bulgaria in 2017 within our Sofia city-centre campus. Our expanding team of highly qualified developers and assurance team members provide support for our growing client base.

Service evolution

Italy

GAN extended its market position in Italy growing gross gaming income from £21.8m in 2016 to £31.8m in 2017, an increase of 46% year-on-year. Our Italian content delivery services business continues to be a strong revenue driver for GAN.

Australia

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

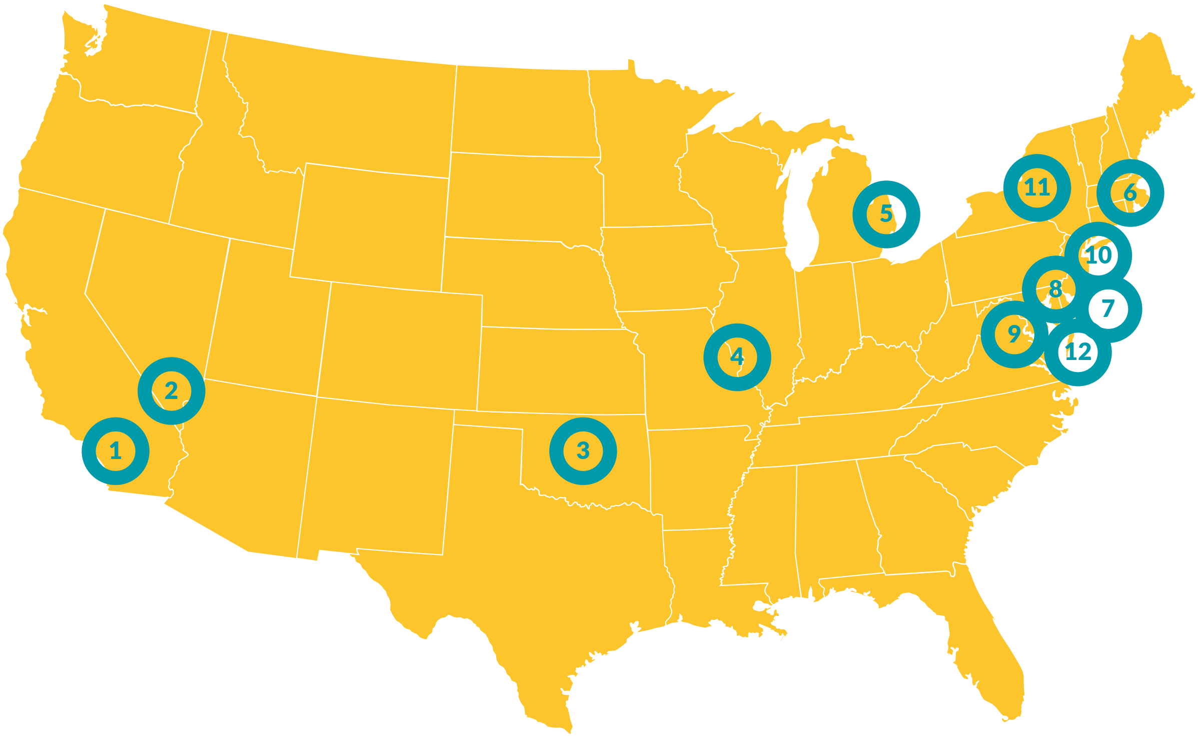
United Kingdom

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

Our history

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

GAN partnerships footprint



1. Los Angeles
San Manuel Indian Bingo & Casino

4. St Louis
Lady Luck Casino

7. New Jersey
Borgata

10. New York City
Empire City Casino

13. Australia
Club8Casino

2. Las Vegas
Station Casinos

5. Detroit
J·A·C·K· Entertainment

8. Philadelphia
Parx Casino

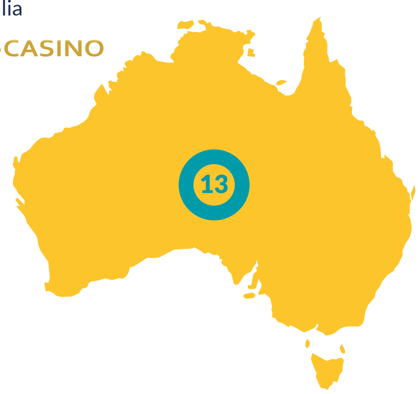
11. Rochester
Turning Stone Resort | Casino

3. Oklahoma
WinStar World Casino and Resort

6. Providence
Twin River Casino

9. Maryland
Live!

12. Atlantic City
The Ocean Resort



MARKET REVIEW

Real money regulated intra-State Internet gaming in the US remains focused on New Jersey's fast-growing market and the new Pennsylvania market, which in October 2017 ended the four-year wait for incremental US States to legalise Internet gaming. Simulated Gaming™ continued to mature as 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 2017 there were approximately 940 land-based casinos in the US 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 $246m – the overwhelming majority of US Internet gaming in 2017.

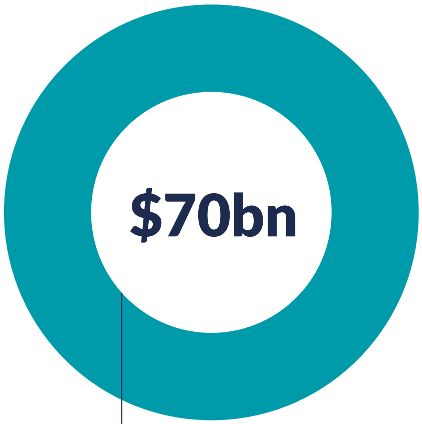
2017 was New Jersey's fourth full year of Internet gaming and that State's Internet gaming market grew more than 24% year-on-year compared with New Jersey's seven land-based casinos that together saw static retail gaming revenues in the same period of $2.4bn. Accordingly, New Jersey's $246m in Internet gaming revenues represented 10% 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 October 2017, Pennsylvania (pop. 12.8m) passed legislation legalising Internet gaming, ending a four-year wait for another US State to regulate Internet gaming. In several other US States, legislation designed to regulate Internet gaming continued through the complicated legislative process in 2017.

There are six US States actively considering regulation of intra-State Internet gaming: West Virginia, Illinois, Connecticut, New York, Massachusetts, and Michigan.

The 'next State to regulate' is generally believed by industry observers to be the State of Michigan (pop. 9.9m), which has a substantial existing land-based casino industry comprising three commercial casinos in Detroit and several Native American casinos.

Michigan made significant progress towards regulation of Internet gaming through the course of 2017, with a comprehensive bill appearing in the Michigan House of Representatives for active voting on various proposed amendments in Spring of 2018. If this legislation is enacted in the future, residents of Michigan will be permitted to play casino games online for real money in a similar manner to both New Jersey and Pennsylvania.



AGGREGATE GAMING REVENUES GENERATED IN THE RETAIL CHANNEL BY NEARLY 1,000 BRICKS AND MORTAR CASINOS IN 40 STATES

IN OCTOBER 2017 PENNSYLVANIA ENDED THE WAIT FOR ANOTHER US STATE TO REGULATE INTERNET GAMING

Simulated Gaming™ – now a market-leading product: high-margin revenue stream generated online from existing customer database; attracts new customer demographics; re-activates 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 four regulated US States or those six 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 US, Canada and Australia where in all cases real money Internet gaming is not permitted nationwide.

The global social casino gaming market reached $4bn in 2017 with $3bn 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 that wish to participate in the social casino market generally have three options for market entry:

- build their own technology;
- acquire an existing social casino operator; or
- adopt an enterprise software solution from a third party provider such as GAN.

Market conditions

Through the course of 2017 GAN enjoyed significant momentum in launching new major casino operators as clients, including the Chickasaw Nation, Red Rock Resorts and Turning Stone as well as acquiring and launching Ocean Resort Casino (formerly 'Revel Casino') as a client of Simulated Gaming™ in advance of launching real money Internet gaming. With three of the five partnerships launched being large-scale multi-property enterprises, GAN continues to be positioned as a leading platform for casino operators seeking to move online.

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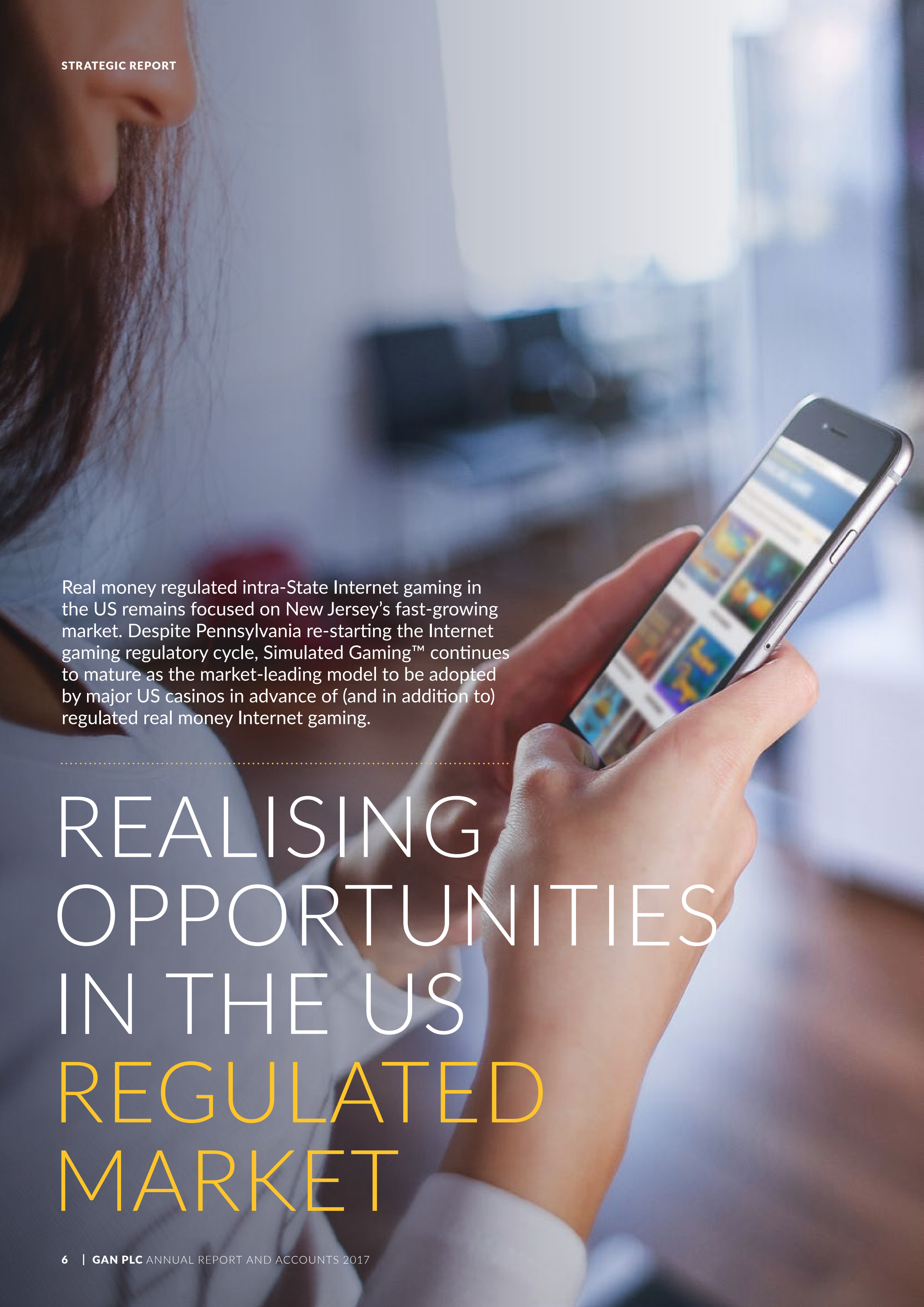
NUMBER OF SIMULATED GAMING™ CUSTOMERS LIVE AT YEAR END. FIVE NEW CUSTOMERS LAUNCHED IN H1

+51%

GROWTH IN ONLINE PURCHASES FOR SIMULATED GAMING™

7.6m

SIMULATED GAMING™ PLAYER DAYS REPRESENT AN INCREASE OF 33% FROM 2016



Real money regulated intra-State Internet gaming in the US remains focused on New Jersey's fast-growing market. Despite Pennsylvania re-starting the Internet gaming regulatory cycle, Simulated Gaming™ continues to mature as the market-leading model to be adopted by major US casinos in advance of (and in addition to) regulated real money Internet gaming.

REALISING OPPORTUNITIES IN THE US REGULATED MARKET

“Our investment in the US market has led to the Group being recognised as a leading B2B supplier of Internet gaming enterprise of SaaS solutions to the US land-based casino industry and we believe significant shareholder value will develop going forwards as New Jersey’s Regulated Gaming market continues to grow, Pennsylvania’s Internet gaming market commences and Simulated Gaming™ continues to be adopted by a portfolio of larger US casino operator clients.”

Seamus McGill, Chairman

THE AVERAGE INCREASE TO VISIT AND PLAY WITHIN THE CASINO PROPERTY, WITHIN 120 DAYS OF THE CASINO’S CUSTOMERS ENGAGING ONLINE WITH SIMULATED GAMING™

1–2x

$500–$1,000

THE AVERAGE DAILY THEORETICAL VALUE OF CUSTOMERS PLAYING ONLINE EACH DAY THEY VISITED THE CASINO PROPERTY

Q&A with a US stakeholder

Alec Driscoll, the Interactive Director of American Casino & Entertainment Properties, LLC (ACEP) in 2017, spoke to GAN about the uplift of on-property visitation experienced in their ‘locals’ casino properties in Nevada throughout 2016 and the majority of 2017.

Q. What was the principal financial benefit to ACEP in operating Simulated Gaming™?
A. The incremental share of our customers’ wallet online was valuable, but of more value was the significant level of engagement by our higher-value customers of bricks and mortar gaming, who increased their visitation to our ‘locals’ casino properties in Nevada as a result of engaging with GAN’s Simulated Gaming™ online experience.

Q. What factors influenced your decision to work with GAN?
A. GAN was the only firm that had material traction across the country and was the only solution that we reviewed that had a full suite of front end games accompanied with back office business processes – GAN had the only full solution out there and arguably remains so for social casino gaming.

CHAIRMAN'S STATEMENT

A culture of innovation

GAN has become synonymous for quality and commitment to delivering the right solution for bricks and mortar US casino operators to move their retail business online.

70+

NUMBER OF CASINO PROPERTIES LOCATED COAST-TO-COAST ACROSS THE US OWNED BY GAN'S US CLIENTS

Dear shareholders

During the course of 2017 the Group expanded its market share in the US, our key geographic market, by launching additional US land-based casinos as clients of either virtual currency-based Simulated Gaming™ or traditional real money regulated gaming conducted on an intra-State basis. In April 2017 the Group announced that it had successfully issued its first convertible loan note as a public company, raising gross proceeds of £2.0m in loan capital to continue expansion of real money regulated gaming and Simulated Gaming™ opportunities in the US, and for working capital and general business development purposes.

As has been widely reported, regulated real money Internet gaming in New Jersey has been growing strongly. Our Group has executed well in delivering operationally for Paddy Power Betfair plc in New Jersey, earning a well-deserved reputation in the US for technical competence, reflecting the reputation already hard earned in Europe's toughest regulated Internet gaming markets. This reputation has translated into additional business secured in February 2017 for GAN in New Jersey with a major land-based New Jersey operator Ocean Resort Casino (formerly known as 'Revel Casino') nominating GAN as the future platform for regulated real money Internet gaming commencing in 2018.

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

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

We are excited about the prospects for Simulated Gaming™ and the performance we have achieved since its initial launch together with the increasingly compelling business case that Simulated Gaming™, suitably integrated with land-based casino operators' loyalty programmes, greatly supports our clients' core business of on-property real money gaming. We are also confident in the long-term potential for real money regulated gaming, and Pennsylvania's recent adoption

After a multi-year period of necessary investment, GAN has now established itself as a significant and highly credible Internet gaming technology provider to the US casino industry.

Seamus McGill, Chairman

of legislation enabling Internet gaming may prove to be a significant catalyst for re-starting the US regulatory cycle.

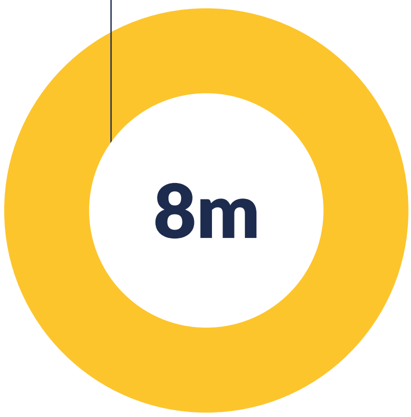
Our consistent progress in 2017, with our core products of Simulated Gaming™ and regulated gaming in sustainable markets, in what was a year of continued investment for GAN as we developed both our real money regulated gaming and Simulated Gaming offering, would not have been possible without the dedicated and talented staff employed by the Group in London, Sofia and throughout the US. I thank them for their continued efforts and believe the Group has become established as a major Internet gaming technology, infrastructure and services provider to land-based casinos in the US, consistent with the strategy set out during the Group's Initial Public Offering completed in November 2013.

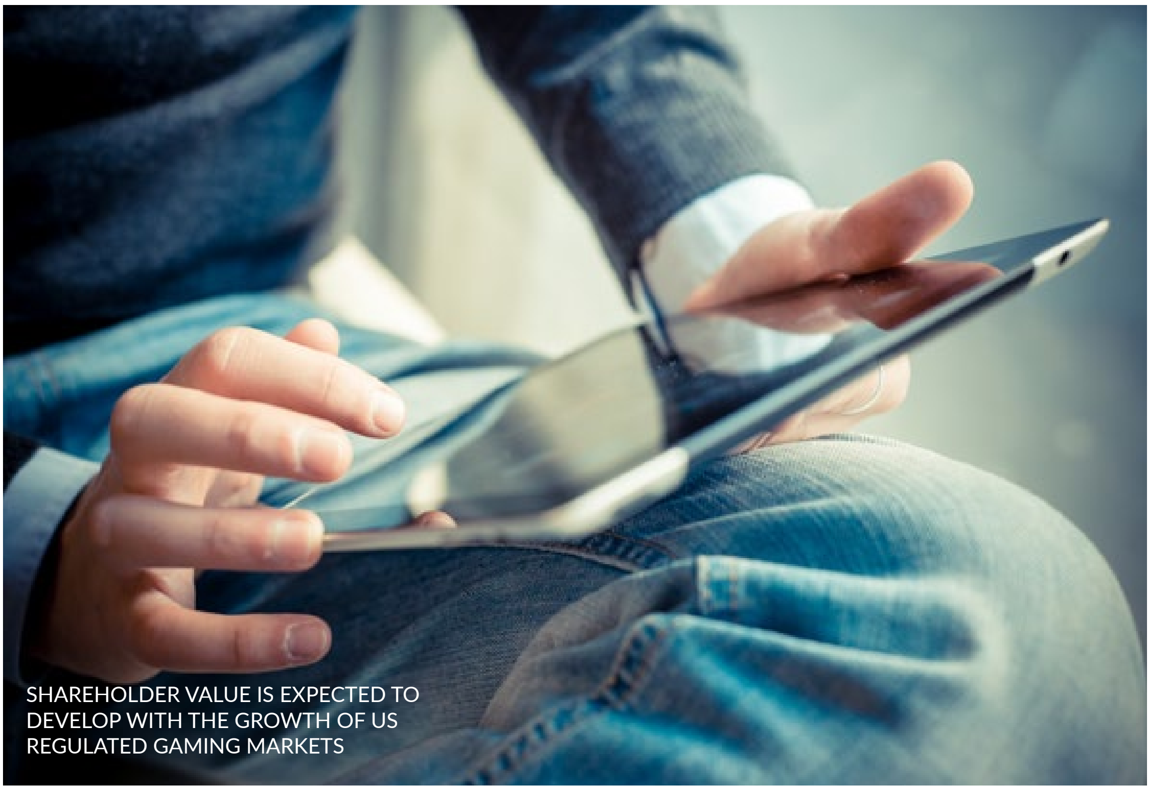
After four years building our US market position we are satisfied the Group is now recognised as a leading provider of enterprise-level online solutions to the land-based gaming industry in the US and believe significant shareholder value will develop going forwards as New Jersey's regulated gaming market continues to grow, Simulated Gaming™ continues to be adopted by a portfolio of larger US casino operator clients and Pennsylvania's Internet gaming market commences.

SEAMUS MCGILL
CHAIRMAN

28 MARCH 2018

NUMBER OF CUSTOMER VISITS ONLINE IN THE US IN 2017





SHAREHOLDER VALUE IS EXPECTED TO DEVELOP WITH THE GROWTH OF US REGULATED GAMING MARKETS

CHIEF EXECUTIVE OFFICER'S REVIEW

Focused on growing recurring revenues

Navigating GAN back to positive clean EBITDA in 2017, after a multi-year investment cycle, has proved to be a marathon of shared achievement of which directors, employees and shareholders can all be proud.

REAL MONEY iGAMING DEPOSITS PROCESSED IN 2017

Dear shareholders

Overview

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

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

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

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

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

In New Jersey, the Group delivered strongly for Betfair's regulated Internet casino gaming website delivering over 100 incremental games across desktop and mobile devices and consolidating BetfairCasino.com as a leading 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 2017.

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

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

Strategy

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

Aligned with the significant growth experienced in New Jersey's real money Internet gaming market the Group increased its focus on real money Internet gaming product development, enhancements and optimisations while continuing to roll out additional new clients and product features for Simulated Gaming™. The continued contribution of Simulated Gaming™ to our net revenue growth in 2017 supports the Group's internal focus on the US in delivering both real money Internet gaming and Simulated Gaming™ to as many major US casino properties as possible. Furthermore, the Group has received indications from collaborating clients that GAN's unique Simulated Gaming™ platform has materially increased patrons' visitation on-property, re-activated significant numbers of long-term inactive patrons and generally proved highly supportive of on-property real money land-based gaming.

The Group continues to pursue further Internet gaming platform sales discussions with casino equipment manufacturers in order to enable land-based casino slot manufacturers to manage the distribution of their content online. The slow pace of incremental regulation of Internet gaming in the US has materially contributed to ongoing delays in securing an Internet gaming platform sale and with the re-commencement of the regulatory cycle it appears possible that demand for a system sale may return, over time.

"Expansion in the US remains a continuing strategic priority for the Group."

Dermot Smurfit, Chief Executive Officer

Investment in the Group's technical capability in key areas such as back office, mobile and convergence with land-based casino management systems continued throughout 2017 with significant continued growth of the Group's mobile gaming portfolio in both HTML5 and native iOS and Android applications.

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

Products

The Group's back office system iSight Back Office™ received continuing upgrades released throughout 2017 delivering a state-of-the-art back office player management capability with unique convergence features designed to complement a land-based casino's existing gaming operations.

The product-related capabilities of Simulated Gaming™ took major strides in 2017 with a focus on monetisation of players and the introduction of gaming activity accelerants designed to extend player lifetimes, increase frequency of purchases and drive increased visitation to the US casino operators' land-based properties. Social gaming features including daily bonusing wheels, leaderboards, real time competition slot tournaments and experience points all launched in 2017, resulting in a significant increase in both monetisation and stickiness.

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

Marketing and support services

Throughout 2017, the Group continued to invest in establishing a wide range of secondary and tertiary services for US land-based casino clients designed to support the land-based casino operator in managing customers and growing through external user acquisition marketing and internal cross-sell marketing to existing patron databases and on-property traffic.

Marketing and support services remain a crucial component of the Group's service portfolio, ensuring any land-based casino operator can cost-effectively launch a turnkey managed Internet gaming service and grow an online community extending beyond its existing audience of casino patrons.

DERMOT SMURFIT
CHIEF EXECUTIVE OFFICER

28 MARCH 2018

CORE BUSINESS OFFERINGS

GameSTACK™ IGS: Winner of eGaming Review's peer-juried Casino Platform Supplier of the Year 2015 and 2016; and Freeplay Gaming Supplier of the Year 2016 and 2017.

GAN's GameSTACK™ IGS technology and complementary SaaS structure is designed to support casino operators, content providers and best-in-class online service providers in a 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.

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

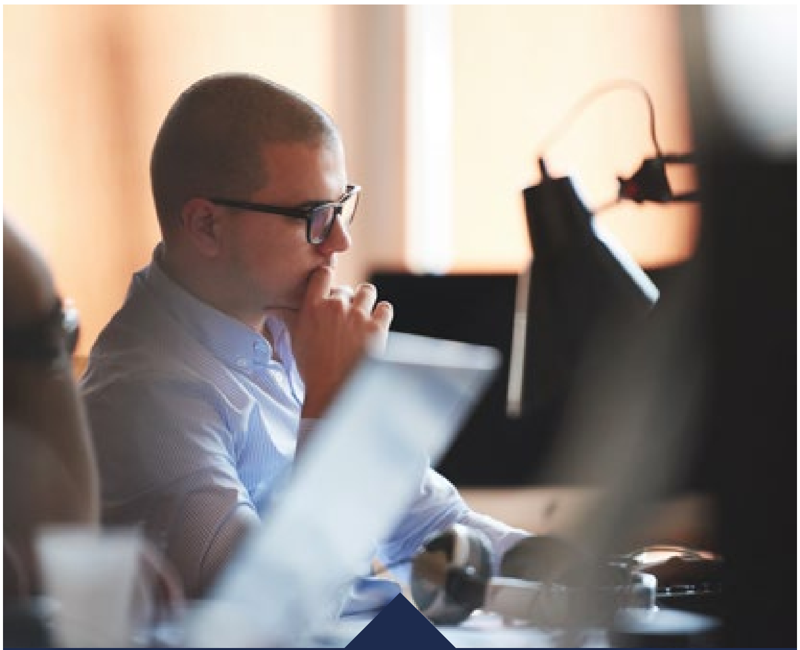
GAN re-develops content (configuring games for desktop and mobile play) for global suppliers of games such as Everi, Incredible Technologies, KONAMI and more. GAN creates customer content for our partners as well.

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 its online business. Intimately tied in with a casino's overarching player communications team, GAN's managed services help support social and real money gaming as 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

From gaming content virtual floor layouts, to player messaging, to loyalty, GAN carefully curates an 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 comprising proprietary enterprise level software, hardware, and integrated components such as iSight Back Office™, SENSE3™ Mobile, iBridge Framework™ and third party technologies.

GAN's open platform has undergone significant technical developments in the last three years, providing our partners – be they operators, content providers or other services providers – with a technical ecosystem that has been awarded by EGR's (North America) peer-juried Casino Platform Supplier of the Year in both 2015 and 2016 and Freeplay Gaming Supplier of the Year in 2016 and 2017.

With the iSight Back Office™ management tool, casino operators have complete control over their content selection, player communications, website layout, 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 Internet gaming website or application requires not only great technology, but great content as well. GAN has been working with world-leading suppliers for over seven years to bring their content online. GAN's content partners trust us with their IP as we configure games originally built for the offline world to play in the online worlds of desktop and mobile.

With 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, Las Vegas and Sofia, our in-house managed services team members support initial configurations and ongoing operations of our partners via the 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 and receive our full Casino Service Industry Enterprise licence in 2017, while many other European-based platform providers hesitated to attempt market entry.

CORE BUSINESS OFFERINGS: REAL MONEY GAMING

In the US, the standard European rulebook for Internet gaming was replaced with a brand new set of requirements, tools and capabilities. Very few companies in the global gaming industry have the experience, capability and track record in the US that GAN offers to clients, representing significant shareholder value.

When a US casino needs to move online, there is a very small group of potential technology vendors available to serve their needs, and an even smaller subset of companies which are B2B only and fully licensed for US Internet gaming. GAN is one of those very few companies, and the Company's technical systems, operational know-how and proven track record of excellence represent a substantial competitive barrier to entry together with the Company's strategic US Patent governing the all-important linkage of an Internet gaming account with an on-property rewards account. These are some of the reasons driving Ocean Resort Casino's choice to nominate GAN as their partner for Internet gaming in early 2017, leveraging the Company's proven successful track record in delivering material market share in New Jersey for one of the world's largest Internet sports betting and gaming companies, Paddy Power Betfair. Ocean Resort Casino becomes GAN's second client in New Jersey and the Company's first land-based casino in New Jersey as well as the 14th US casino operator to license the Company's strategic US Patent in order to link their on-property rewards programme to their forthcoming GAN-powered online gaming experience.

In 2017 GAN focused internal resources on delivering optimisations to real money US Internet gaming geolocation tracking, Know- Your-Customer (KYC) processes and its market-leading US payments platform in order to deliver arguably the most efficient Internet traffic 'funnel' to Paddy Power Betfair in the US and increase the efficiency of its substantial marketing investments. This focus on optimisations, combined with a substantial commitment to delivering more games, gaming features and excellence in technical operations, has further developed GAN's position in the fast-growing Internet gaming market of New Jersey.

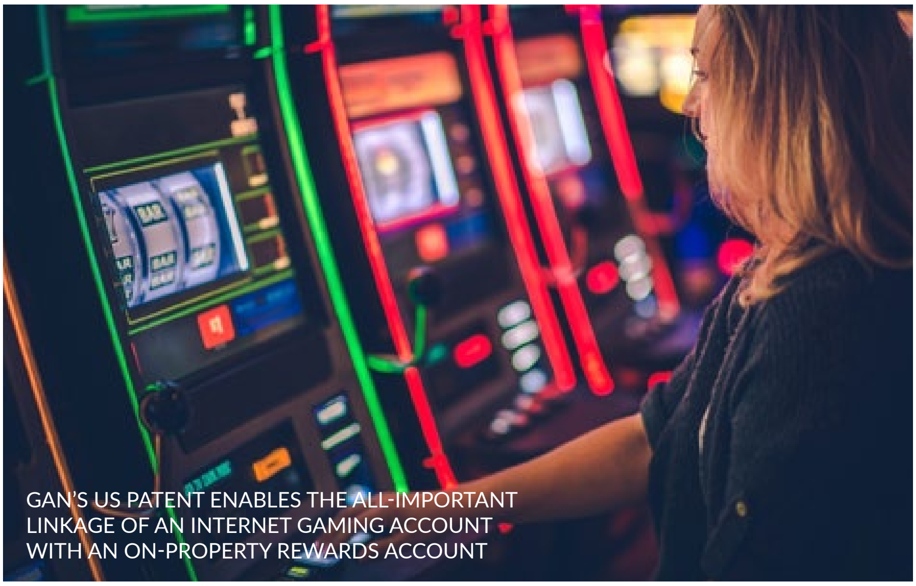
Real money Internet gaming expertise lies at the centre of GAN's professional approach to deliver enterprise gaming solutions to clients in the US, and throughout 2017 this increased in importance as Pennsylvania's rapid regulation in Autumn/Fall 2017 signalled the re commencement of the US regulatory cycle for Internet gaming.

US STATES CONSIDERING REGULATION OF INTRA-STATE INTERNET GAMING

GAN IS ONE OF VERY FEW COMPANIES WITH A B2B AND FULLY-LICENCED US OFFERING

CORE BUSINESS OFFERINGS: SIMULATED GAMING™

Launched in 2014, Simulated Gaming™ accelerated in 2017 with the launch of multiple major casino operators in diverse new regional gaming markets. Simulated Gaming™ remains one of the most exciting business opportunities available to GAN and its clients.



GAN'S US PATENT ENABLES THE ALL-IMPORTANT LINKAGE OF AN INTERNET GAMING ACCOUNT WITH AN ON-PROPERTY REWARDS ACCOUNT

6

NUMBER OF SUCCESSIVE QUARTERS WITH GROWTH IN ACTIVE PLAYER DAYS

750k+

AMERICANS SIGNED UP ONLINE USING GAN

Simulated Gaming™ is a deliberate service name for GAN's B2B social casino solution custom designed for US casino operators seeking to bring their retail brand online and create a new Internet gaming experience delivered as an amenity to their patrons and leveraging their on-property rewards programme.

Furthermore, by launching Simulated Gaming™ GAN's clients have the ability to engage with new demographics of potential customers with a view to engaging them online first and, over time, presenting those online customers with a range of incentives to bring them to their retail casino. No B2B vendor of social casino gaming in the US has more experience than GAN in supporting this macro business objective, shared by all the Company's clients of Simulated Gaming™. GAN pioneered the Simulated Gaming™ model in January 2014 and has accumulated an extraordinary depth of knowledge on US casino patrons, their gaming proclivities and behaviours and how best to drive them from the online to retail channels.

From a technical perspective, Simulated Gaming™ sits within and is powered by the same technology that enables clients to launch a real money Internet gaming experience. In fact, many of the new gaming features are developed by GAN first for Simulated Gaming™, trialled online, optimised and subsequently made available for clients using GAN's same technology to power their real money Internet gaming business. This illustrates the conjoined nature of Simulated Gaming™ with real money Internet gaming and how GAN's focus on Simulated Gaming™ also benefits clients of real money Internet gaming.

LEADERS, INNOVATORS, PIONEERS

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

GAN's open platform has undergone significant technical developments in the last three years, providing our operators, content, or other services providers with a truly best-in-class technical ecosystem, awarded by EGR's (North America) peer-juried Casino Platform Supplier of the Year in both 2015 and 2016 and Freeplay Gaming Supplier of the Year in 2016 and 2017.

Q&A with a GAN technologist

2018 is a big year for data security with the EU General Data Protection Regulation, increased ISO27001 requirements and new regulation pending in US online gaming. Programme Director Michael Endres explains how GAN stays ahead of regulation while delivering sites for new partners, and new products to all of GAN's partners.

Q. How does GAN personalise the player experience with the increasing restrictions on information?
A. For some time GAN's data systems and internal processes have locked down information with auditing capabilities to monitor and report on anything suspect. Alongside this we are developing our integrations and services to be as anonymous as possible externally, with no single identifying datum from GAN.

Q. What is GAN's strategy for product delivery?
A. We approach it through a clear strategy. We have automated code change deployment, added event-triggered player interactions and built a new mailer service. The strategy: agnostic technology, custom styling.

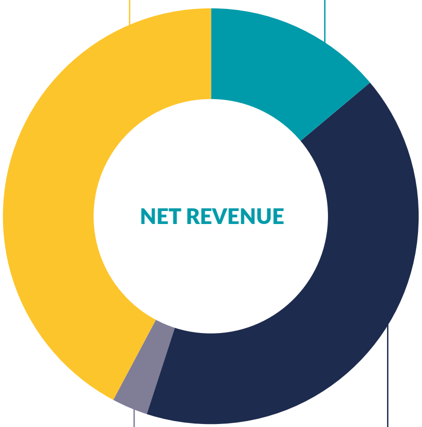
300+
GAMES AVAILABLE IN NEW JERSEY

29
APPS IN APP STORES

FINANCIAL AND OPERATIONAL REVIEW

Growth and investment

An expanding customer base and client offering alongside robust cost control has ensured the Group capitalised on its investment, producing strong year-on-year increases in net revenue and Clean EBITDA in 2017.



Summary

Revenue has continued to grow in 2017 alongside which the Group has further developed its programme of necessary investment and development for the future. The Group has made further inroads into the US market, executing against our strategy to broaden our geographic footprint through the addition of casino operators in key States in advance of regulation. In Italy the Group continues to strengthen its market position through the distribution of additional content and full-year revenues from clients launched in the prior period.

The Group has built upon its significant coast-to-coast presence in the US market in order to drive additional growth. The Group entered 2017 with nine Casino operators in the US and Australia and added a further five operators in the first half of the year. Launches of Winstar World Resort & Casino, MGM's The Borgata, Oneida Nation's Turning Stone Casino, Ocean Resort Casino and Station Casinos brings the total number of Simulated Gaming™ clients operational entering 2018 to 13. The US market remains the core strategic market for the Group as it seeks to continue to drive adoption from land-based casinos to the online digital market. Revenues from the US market continue to be a substantial proportion of the business and now account for 57% of total Group revenues.

The Group remains focused on generating recurring revenue growth in both of its primary markets, the US and Italy. Recurring revenues accounted for 82% of total net revenue. In addition to the US market growth, the Group has benefited from continued recurring revenue growth in the regulated market of Italy where the launch of an additional operator and the full-year contribution of two new operators launched in the prior period has continued to drive revenue growth. Net revenues from the Italian market have grown and now represent over 31% of total net revenue.

The Group continued to invest heavily in the underlying IGS and product capability to meet the ongoing market demand and ensure that it continues to be in position to capitalise on the immediate Simulated Gaming™ opportunity in the US market.

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

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

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

Key performance indicators

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

Revenue

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

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

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

The increase in revenue share has been driven by the regulated gaming markets in New Jersey and Italy and by Simulated Gaming™ where the company now has 13 casinos operational, of which five launched in H1 2017.

Expenses

Distribution costs include royalties payable to third parties, direct marketing expenditure and the direct costs of operating the hardware platforms deployed across the business, which in total increased from £7.4m to £8.0m for the year ended 31 December 2017. The increase is due primarily to increased royalties payable to providers of third party games content in Europe for real money gaming and in the US for Simulated Gaming™.

Administration expenses include the costs of personnel and related expenditure for the London, Nevada and Sofia offices. The Group reports total administrative expenses for the year ended 31 December 2017 of £5.5m, £0.1m less than those incurred in 2016. This is despite foreign exchange losses of £0.2m contributing to costs as a result of the weakening of the US Dollar during the year.

Clean EBITDA

Clean EBITDA is a non-GAAP company specific measure and excludes interest, tax, depreciation, amortisation, share-based payment expense and other items which the directors consider reflects the underlying performance of the business, and excludes non-recurring and significant non cash items as disclosed in note 6 to the financial statements. The directors regard Clean EBITDA as a reliable measure of profits that is not unduly subjective.

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

Cash flow

The cash balance at 31 December 2017 was £2.7m compared with £3.2m in 2016, a reduction of £0.5m. During the year the Group has continued to invest in the underlying IGS deployment and product capability. The Group raised gross proceeds of £2.0m through a convertible loan note issue which, together with operating cash inflow of £1.2m, partially offset expenditure of £3.5m in incremental investment in intangible fixed assets that related principally to the capitalisation of internal development time and related overheads. Excluding the impact of additional capital raised by the Group, cash outflow has decreased from £5m in 2016 to £2m in 2017.

Key performance indicators

The directors regard Clean EBITDA as a reliable measure of profits and the Group's key performance indicators are set out above. The Board also monitors client-related key performance indicators, including the number of active players, revenue by client, average revenue per daily active user and number of daily active users for both Simulated Gaming™, and real money Internet gaming business segment profitability and geographic split of turnover.

The Group continued to invest heavily in the underlying IGS and product capability to position itself for future growth.

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 licences	The Group holds a number of licences for its activities from regulators. The loss of all or any of these licences 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 licences 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 licencing 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 from 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.
ADEQUACY OF FUNDING Liquidity	The Group has historically been loss making with negative cash flows and this trend continued in to 2017, albeit on an improved basis. Failure to improve trading in the medium term would raise doubts as to the adequacy of funding, liquidity and ultimately the Group's ability to continue as a going concern.	The Group has reduced its cost base in 2016 and 2017 and generated net cash flows from operating activities. The Board has stress tested future cash flows to ensure operational growth and delivery are not compromised.

Risk category	Description	Mitigation
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 geographic base which spreads the competitive risk.
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	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 KYC procedures. Reports from the Management Information System 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 loss of licences, 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 by developing 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 whom cannot be guaranteed.	The Group has a performance evaluation system to identify key talent and 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.
Risk of cash outflow from contractual arrangements	There is a risk of cash outflow from certain contractual arrangements with new customers	The Group closely monitors all current and future operational projects to ensure appropriate budgets and controls are in place, so these arrangements do not impact on the delivery of other Group activities.

On behalf of the Board

DERMOT SMURFIT
CHIEF EXECUTIVE OFFICER

28 MARCH 2018

CORPORATE SOCIAL RESPONSIBILITY
Approach towards stakeholders

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 B2B provider of games of skill and chance in regulated markets, we have 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, provide 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, which is a leading UK charity advising and assisting those with a gambling problem.

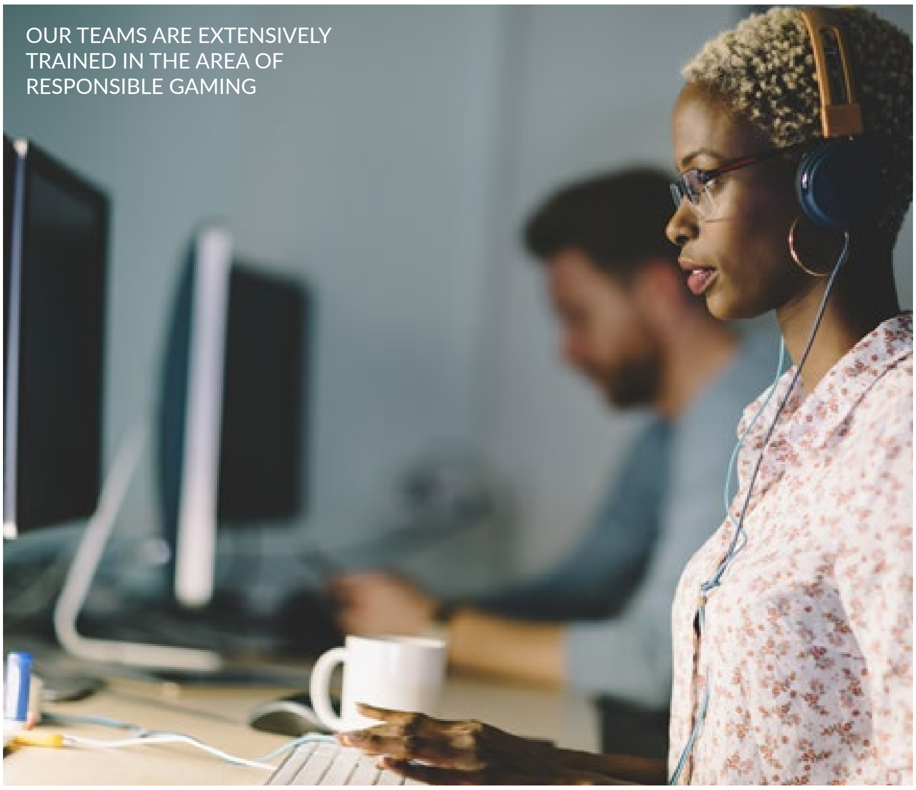
All of the organisations above have different requirements and regulations and the Group is proud that we exceed these in all areas of responsible gaming.

All of our games are certified and tested by GLI (Gaming Laboratories International) and NMi Metrology & Gaming Ltd, both of which are leading industry providers 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 LexisNexis in order to perform verification checks on the source of all monies on our networks.



Employees
The Group is committed to maintaining a working environment in which diversity and equality of opportunity are 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.

We 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 lie 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 teams 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 employees' health through physical exercise. In addition, we provide a significant contribution towards employees' gym membership.

The strategic report on pages 1 to 22 is approved by the Board of directors and signed on its behalf by:

DERMOT SMURFIT
CHIEF EXECUTIVE OFFICER

28 March 2018

CORPORATE GOVERNANCE STATEMENT

Leadership and effectiveness

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

The Board

The Board comprises four directors including one executive director 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 once each year.

Committees

The audit committee is responsible for ensuring that the financial performance of the Group is properly reported on and monitored, and 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 comprises Roger Kendrick, Seamus McGill and Michael Smurfit Jr. and is 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 director and sets and reviews the scale and structure of his remuneration. The committee also reviews the basis of the executive director's remuneration and the terms of his 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 comprises Seamus McGill, Roger Kendrick and Michael Smurfit Jr. and is 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 making the appropriate recommendations to the Board. It meets at least once a year with the auditors without executive directors present. The nomination committee comprises 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 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 2010 may result.

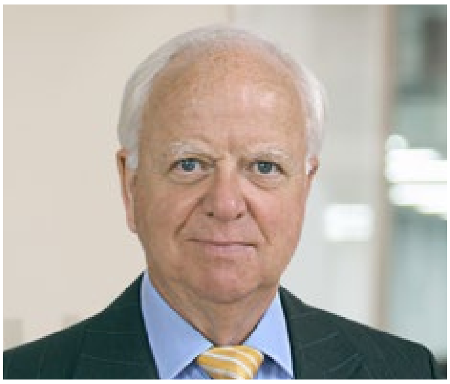
Although not required to follow the provisions of the UK Corporate Governance Code, the Board recognises the importance and value of good corporate governance procedures.

BOARD OF DIRECTORS
Directors

Seamus McGill
(Non-executive Chairman)
Seamus joined the Board of GAN in April 2015. He 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.

Dermot Smurfit
(Chief Executive Officer)
Dermot joined GAN in 2002. He previously worked in the European Investment Banking team of SoundView Technology Group. He 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. His education encompasses an LLB in Law from Exeter University, the Legal Practice Course from the University 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. He is Chief Executive of SF Investments, a privately held company that manages world-wide investments on behalf of the Smurfit family. Michael is a director of a number of companies, including Inflection Biosciences and The K Club Limited. He 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. He 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. He has a BA in Business Finance and an MSc (MBA) from London Business School.

Senior Management

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, and finally to be included in GAN’s management team in 2016 as Commercial Operations Director. Prior to GAN, Giuseppe gained business experience in companies such as DaimlerChrysler and Siemens, carrying out projects interlinked with his studies in Germany, respectively in Business Administration and Engineering as well as Associated Engineering in communication systems.

Matt Stafford
(Vice President Client Services)
Matt joined GAN’s London headquarters in January 2014 as Technical Compliance Director. Over time, his role at GAN expanded to include Licensing, Risk Management, Compliance Auditing and Anti-Money Laundering Reporting functions. In January 2018, he relocated to GAN’s Las Vegas office for a new role overseeing Client Services for North America. Prior to joining GAN, Matt had worked for five years as a Business Development Manager for Internet gaming at GLI (Gaming Laboratories International) in both Europe and North America, after nearly four years with IGT’s MegaJackpots group in Reno, Nevada.

Simon Knock
(Chief Information Officer)
Simon joined GAN in September 2010 as Technical Director, bringing over ten years of Internet gambling industry experience. Prior to GAN, he 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.

Karen Ashcroft
(Head of Finance)
Karen joined GAN in November 2017 from FTSE 250 company Euromoney Institutional Investor PLC where she was Group Financial Controller. Prior to this she spent five years as Regional Financial Controller in a high-growth technology environment at Markit (now IHS Markit) and has also worked in finance roles in telecoms and Internet advertising companies. Karen is a Chartered Accountant and began her career at Ernst & Young in New Zealand.

DIRECTORS' REPORT

The directors submit their report and the financial statements of GAN plc for the year ended 31 December 2017.

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 2017 show total net revenue of £9.1m (2016: £7.8m) and a net loss after tax of £3.5m (2016: loss of £3.8m).

The Board does not recommend the payment of a dividend for 2017 (2016: £nil).

The Group's consolidated financial statements are set out on pages 32 to 60. For a more detailed review of the Group's results see the Chief Executive Officer's report and the strategic report.

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

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

Please refer to note 2.9 to 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 1 June 2018. Notice of this meeting will be sent under separate cover.

Directors

The following directors have held office since 1 January 2017:

Dermot S Smurfit
Desmond Glass (Resigned 10 October 2017)
Michael Smurfit Jr.
Roger Kendrick
Seamus McGill
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
Dermot Smurfit	1,846,000	17.07.2017	25p	17.07.2018	17.07.2027
Seamus McGill	200,000	28.08.2017	20.5p	28.08.2018	28.08.2027
Roger Kendrick	100,000	24.08.2017	20.5p	24.08.2018	24.08.2027
Michael Smurfit	100,000	24.08.2017	20.5p	24.08.2018	24.08.2027

Significant shareholdings

As of 31 December 2017 the Company had been advised of the following significant shareholders:

Shareholders	No. of ordinary shares	%
Sir Michael Smurfit, Sr.	12,073,725	17.2%
Mr Dermot Stopford Smurfit	9,113,447	13.0%
Mr Andrew Black	5,480,860	7.8%
Mr Anthony Smurfit	5,403,840	7.7%
Mr Dermot F Desmond	4,710,288	6.7%
Odey Asset Management	2,880,000	4.1%
Roger Kendrick	2,513,821	3.6%
David Capital Partners	2,301,098	3.3%
Manchester Capital Management	2,186,180	3.1%
Pageant Holdings	2,135,000	3.0%

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 Group's 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.

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 has confirmed that they have taken all the steps that they ought to have taken as a director 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 re-appoint BDO LLP as the Group's auditors will be submitted to the Board at the Annual General Meeting.

On behalf of the Board

DERMOT SMURFIT
CHIEF EXECUTIVE OFFICER

28 March 2018

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 (AIM).

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 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.

INDEPENDENT AUDITOR'S REPORT
to the members of GAN plc

Opinion
We have audited the financial statements of GAN plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) 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.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 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.

Use of our report
This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition (with reference to note 2)
Key audit matter
The group has a number of revenue streams. The details of the accounting policies applied during the period are given in note 2 to the financial statements.

Management make certain judgements around revenue recognition and the treatment of contractual arrangements for revenue streams entered into. There is a potential risk that revenue is recorded incorrectly from a timing perspective (including in respect of the allocation of revenue between performance objectives)or that it is inappropriately recognised on a gross versus net basis.

Our response
We assessed the design and implementation of the controls over the group's revenue cycles.

We assessed whether the revenue recognition policies adopted by the group comply with IFRS and Industry standards.

We tested revenue through substantive procedures. This included agreement to underlying source data, and the use of IT audit data analytic techniques to underpin our substantive testing of certain revenue streams.

We reviewed a sample of key contracts entered into during the year to assess whether the revenue had been recognised in accordance with the group's accounting policy, and to assess the critical estimates and judgements, in particular in respect of the allocation of revenue between performance objectives, and whether any other terms within the contract had any material accounting or disclosure implications.

Impairment of capitalised development costs and other intangibles (with reference to note 10)
Key audit matter
In accordance with IAS 36, the group monitors the carrying value of development costs and other intangibles for indications of impairment. The group performs annual impairment reviews where there are indicators of impairment and for capitalised development costs relating to projects not launched as at the year end.

Impairment reviews require significant judgement from management and are based on assumptions in respect of future profitability.

If the carrying value of these assets exceeds their recoverable amount there is a risk of material misstatement.

INDEPENDENT AUDITOR'S REPORT CONTINUED
to the members of GAN plc

Our response

We considered whether there were any indications of impairment in respect of intangible assets.

The audit team challenged the appropriateness of the key assumptions used in the discounted cash flow models prepared by management and applied sensitivities to assess the potential impairment of goodwill and those assets where indications of impairment were present. Our work was based on our assessment of the historical accuracy of the group's estimates in previous periods, our understanding of the commercial prospects of the assets, identification and analysis of changes in assumptions from prior periods and an assessment of the consistency of assumptions across the impairment reviews.

We considered the appropriateness of the related disclosures provided in the group financial statements.

Capitalisation of development costs and other intangibles (with reference to note 10)

Key audit matter

The group has material expenditure on the internal development of intangible software assets. Such expenditure should only be capitalised when it qualifies under the specified criteria of IAS 38 and as such this is an area of judgement. For internally generated intangible assets, capitalised cost should meet the following criteria:

- Technical feasibility
- Intention to complete and use/sell
- Ability to use/sell
- Probable future economic benefits
- Technical, financial and other resources to complete
- Accurately identify and measure expenditure

Our response

We assessed the design and implementation of the controls over the group's capitalisation cycles.

We assessed whether the capitalisation policies adopted by the group comply with IFRS and Industry standards.

The audit team tested a sample of costs capitalised in the year to ensure they met the criteria of IAS 38, including agreement of the costs to source documentation.

Going Concern (with reference to note 2)

Key audit matter

Given the growth phase of the business and the risks as noted on page 20 there is an inherent risk in respect of liquidity. The group has a history of periodically raising cash through equity and debt issues to fund the growth of the business and raised £2m in the current year as set out in note 14. For the year ended 31 December 2017, as shown on the cash flow statement on page 35 the group had used £2.3m (2016: £5.1m) in the operations and investing activities before financing. As at the year end the group had cash of £2.7m. The Directors' responsibilities include the requirement to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the Parent Company will continue in business for a period of at least 12 months from the date the financial statements are signed. In order to meet this assessment, the directors are required to prepare cashflow forecasts to determine if the group has sufficient existing cash resources or whether further funds will need to be raised.

As with any cash flow forecasts there is an inherent risk in the accuracy of the forecasts and in respect of the delivery against these projections.

For these reasons we considered going concern to be a key audit matter.

The directors' disclosures in respect to going concern are set out in note 2.

Our response

The forecasts have been prepared on two bases, one being that there is a further equity fund-raise in the forecast period and one excluding any further fund-raising. Our work has included checking the calculations in the forecasts and challenging the key assumptions used by the directors in the cash flow forecasts and the sensitivities applied to those cash flow forecasts in coming to their conclusion.

We have considered the disclosures both within note 2 to the financial statements and within the directors' report in respect of Going concern.

As noted within the Going Concern section of our report above, we have nothing to report in respect of the specific matters which the ISAs require us to report to you on.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Level of materiality applied and rationale

We consider Net Revenue to be the most appropriate performance measure for the basis of materiality in respect of the audit of the group. Using this benchmark, we set materiality at £127k (2016: £100k) being 1.4% (2016: 1.5%) of Net Revenue.

Materiality in respect of the audit of the Parent Company has been set at £121k (2016: £95k) using a benchmark of 1.4% of Net Revenue, limited to 95% of group materiality (2016: 1.5% of Net Revenue, limited to 95% of group materiality). We consider Net Revenue to be the most appropriate measure for the basis of materiality as the Parent Company is the key trading entity in the group.

Performance materiality was set at 67% of materiality for both the group and parent company audits. In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

Component materiality

We set materiality for each component of the group, other than the parent company, at 50% of materiality to account for the aggregation risk.

Agreement with the Audit Committee

We agreed with the Audit Committee that we would report to the Committee all audit differences individually in excess of £4k (2016: £4k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including the group's system of internal control, and assessing the risks of material misstatement in the financial statements at the group level.

In determining the scope of our audit we considered the level of work to be performed at each component in order to ensure sufficient assurance was gained to allow us to express an opinion on the financial statements of the group as a whole.

The group consists of 4 components all of which were subject to a full audit by the group audit team.

We tailored the extent of the work to be performed on each component, which was performed by the group audit team, based on our assessment of the risk of material misstatement at each component.

We obtained an understanding of the entity-level controls of the group as a whole which assisted us in identifying and assessing risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions 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 the 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 in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

DOMINIC STAMMERS
(SENIOR STATUTORY AUDITOR)
For and on behalf of BDO LLP,
Statutory Auditor

London, UK

28 March 2018

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 2017

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
CONTINUING OPERATIONS			
Gross income from gaming operations and services	2.3	**41,075**	31,675
NET REVENUES	4	**9,120**	7,803
Distribution costs		**(7,996)**	(7,423)
Administrative expenses		**(5,526)**	(5,600)
Profit on sale of intangible assets		**303**	–
Total operating costs		**13,219**	(13,023)
Clean EBITDA		**454**	(932)
Depreciation	11	**(379)**	(375)
Amortisation of intangible assets	10	**(3,851)**	(3,203)
Impairment of intangible assets	10	**(168)**	(411)
Exceptional costs	6	**(341)**	(142)
Profit on sale of intangible assets	10	**303**	–
Employee share based payment charge	6,10	**(117)**	(157)
OPERATING (LOSS)	6	**(4,099)**	(5,220)
Net finance (costs)/income	8	**(117)**	21
LOSS BEFORE TAXATION		**(4,216)**	(5,199)
Tax credit	9	**738**	1,440
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(3,478)**	(3,759)
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT DURING THE YEAR			
Basic (pence)	18	**(4.96)**	(5.81)
Diluted (pence)	18	**(4.96)**	(5.81)

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2017

	Notes	At 31 December 2017 £'000	At 31 December 2016 £'000
NON CURRENT ASSETS			
Intangible assets	10	**5,871**	6,433
Property, plant and equipment	11	**374**	479
Lease deposits	12	**–**	170
		6,245	7,082
CURRENT ASSETS			
Trade and other receivables	12	**2,874**	2,834
Research and development tax credit receivable	9	**795**	1,061
Lease deposits	12	**192**	–
Cash and cash equivalents	13	**2,746**	3,179
		6,607	7,074
TOTAL ASSETS		**12,852**	14,156
CURRENT LIABILITIES			
Trade and other payables	14	**3,061**	2,995
TOTAL CURRENT LIABILITIES		**3,061**	2,995
NON-CURRENT LIABILITIES			
Loan notes	14	**2,001**	–
Other payables	14	**211**	221
TOTAL NON-CURRENT LIABILITIES		**2,212**	221
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT			
Share capital	16	**701**	701
Share premium account		**18,809**	18,809
Retained deficit		**(11,931)**	(8,570)
		7,579	10,940
TOTAL EQUITY AND LIABILITIES		**12,852**	14,156

The financial statements on pages 32 to 60 were approved and authorised for issue by the Board of Directors on 28th March 2018 and were signed on its behalf by:

DERMOT SMURFIT
CHIEF EXECUTIVE OFFICER

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Retained (deficit)/ earnings £'000	Total equity £'000
AT 31 DECEMBER 2015	560	14,592	(4,968)	10,184
Loss and total comprehensive income for the year	–	–	(3,759)	(3,759)
Employee share based payment charge	–	–	157	157
Issue of equity share capital	141	4,217	–	4,358
AT 31 DECEMBER 2016	701	18,809	(8,570)	10,940
Loss and total comprehensive income for the year	–	–	(3,478)	(3,478)
Employee share based payment charge	–	–	117	117
AT 31 DECEMBER 2017	**701**	**18,809**	**(11,931)**	**7,579**

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the year after taxation		**(3,478)**	(3,759)
Adjustments for:			
Amortisation of intangible assets	10	**3,851**	3,203
Impairment of intangibles	10	**168**	412
Depreciation of property, plant and equipment	11	**379**	375
Loss on disposal of fixed asset	11	**–**	77
Profit on disposal of intangible fixed asset	10	**(303)**	–
Share based payment expense	17	**117**	157
Tax credit	9	**(738)**	(1,440)
Finance income	8	**117**	(21)
Foreign exchange		**87**	(408)
OPERATING CASH FLOW BEFORE MOVEMENT IN WORKING CAPITAL AND TAXATION		**200**	(1,404)
Decrease/(Increase) in trade and other receivables		**(62)**	(566)
Increase/(Decrease) in trade and other payables		**(277)**	(236)
Taxation		**1,004**	1,471
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		**865**	(735)
CASH FLOW FROM INVESTING ACTIVITIES			
Interest received		**5**	21
Sale of intangible fixed assets		**303**	–
Purchase of intangible assets	10	**(3,457)**	(4,480)
Purchases of property, plant and equipment	11	**(63)**	(46)
NET CASH USED IN INVESTING ACTIVITIES		**(3,212)**	(4,505)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds on issue of shares	16	**–**	4,358
Issue of convertible loan notes	14	**2,001**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		**2,001**	4,358
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		**(346)**	(882)
Cash and cash equivalents at beginning of year	13	**3,179**	3,779
Effect of foreign exchange rate changes		**(87)**	282
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	**2,746**	3,179

COMPANY STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2017

	Notes	At 31 December 2017 £'000	At 31 December 2016 £'000
NON CURRENT ASSETS			
Intangible assets	10	**5,872**	6,424
Property, plant and equipment	11	**149**	440
Lease deposits	12	**–**	170
		6,021	7,034
CURRENT ASSETS			
Trade and other receivables	12	**3,345**	3,473
Research and development tax credit receivable	9	**795**	1,062
Lease deposits	12	**170**	–
Cash and cash equivalents	13	**1,408**	2,817
		5,718	7,352
TOTAL ASSETS		**11,739**	14,386
CURRENT LIABILITIES			
Trade and other payables	14	**2,933**	2,883
TOTAL CURRENT LIABILITIES		**2,933**	2,883
NON-CURRENT LIABILITIES			
Loan notes	14	**2,001**	–
Other payables	14	**211**	221
TOTAL NON-CURRENT LIABILITIES		**2,212**	221
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT			
Share capital	16	**701**	701
Share premium account		**18,809**	18,809
Retained (deficit)/earnings		**(12,916)**	(8,228)
		6,594	11,282
TOTAL EQUITY AND LIABILITIES		**11,739**	14,386

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 £4,804,951 (2016: loss of £3,657,000), which is dealt with in the financial statements of the parent Company.

The financial statements on pages 32 to 60 were approved and authorised for issue by the Board of Directors on 28th March 2018 and were signed on its behalf by:

DERMOT SMURFIT
CHIEF EXECUTIVE OFFICER

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Retained (deficit)/ earnings £'000	Total equity £'000
AT 31 DECEMBER 2015	560	14,592	(4,728)	10,424
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	(8,228)	11,282
Loss and total comprehensive income for the year	–	–	(4,805)	(4,805)
Employee share based payment charge	–	–	117	117
AT 31 DECEMBER 2017	701	18,809	(12,916)	6.594

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 2017

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss) for the year after taxation		**(4,805)**	(3,657)
Adjustments for:			
Amortisation of intangible assets	10	**3,896**	3,185
Impairment of intangibles assets	10	**168**	412
Depreciation of property, plant and equipment	11	**369**	352
(Profit)/Loss on disposal of fixed asset	11	**–**	77
(Profit)/Loss on disposal of intangible fixed asset	10	**(303)**	–
Share based payment expense	17	**117**	157
Tax credit	9	**(795)**	(1,440)
Finance income	8	**(5)**	(21)
Foreign exchange		**68**	(395)
OPERATING CASH FLOW BEFORE MOVEMENT IN WORKING CAPITAL AND TAXATION		**(1,290)**	(1,332)
Decrease/(Increase) in trade and other receivables		**128**	(638)
Increase/(Decrease) in trade and other payables		**164**	(118)
Taxation		**1,061**	1,471
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES		**63**	(617)
CASH FLOW FROM INVESTING ACTIVITIES			
Interest received		**5**	21
Sale of intangible fixed assets		**303**	–
Purchase of intangible assets	10	**(3,511)**	(4,480)
Purchases of property, plant and equipment	11	**(107)**	(21)
NET CASH USED IN INVESTING ACTIVITIES		**(3,310)**	(4,480)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds on issue of shares	16	**–**	4,359
Issue of convertible loan notes	14	**2,001**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		**2,001**	4,359
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,246)**	(738)
Cash and cash equivalents at beginning of year	13	**2,818**	3,286
Effect of foreign exchange rate changes		**(164)**	270
CASH AND CASH EQUIVALENTS AT END OF YEAR	13	**1,408**	2,818

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

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").

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

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

Adoption of new and revised standards
In the current year the Group has adopted all of the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as they have been adopted by the European Union, that are relevant to its operations and effective for accounting years beginning from 1 January 2017. None of the new standards adopted had a material impact on the financial statements of the Group.

New accounting standards in issue but not yet effective
New standards, amendments to standards and interpretations have been issued but are not effective (and in some cases had not yet been adopted by the EU) for the financial year beginning 1 January 2017. The following new standards and amendments have been reviewed by the Directors:

IFRS 15 'Revenue from Contracts with Customers' – is effective for periods beginning on or after 1 January 2018. The standard establishes a principles based approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied and the control of goods or services is transferred.

Management has performed an assessment of the impact of IFRS 15 at a contract level and does not expect any material impact on the timing of revenue recognition for revenue share as a result of adopting this standard. Management is finalising its review of development revenues, which in 2017 comprised 20% of net revenues.

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

IFRS 16 'Leases' – was issued on 13 January 2016 and is effective for periods beginning on or after 1 January 2019.

The standard represents a significant change in the accounting and reporting of leases for lessees as it provides a single lessee accounting model. As such it requires lessees to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is 12 months or less. The standard may also require the capitalisation of a lease element of contracts held by the Group which under the existing accounting standard would not be considered a lease.

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2017

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 exists 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; and
- historical patterns in voting attendance.

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

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

Foreign currencies

(a) Functional and presentational currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

2. Summary of significant accounting policies continued

2.2 Revenue recognition

Net revenues comprise amounts earned from B2C and B2B activities. B2B activities include revenues derived from the use of the Group's intellectual property in online gaming activities and revenues derived from the game and platform development and related services. All revenues relate to the supply of 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 or her 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 IP in online gaming activities and from fees charged for services rendered. Net revenue is recognised in the accounting years in which the gaming transactions occur or the services are rendered.

Game, website and platform development

Net revenue receivable from B2B activities in respect of game 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 website and related services.

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

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

Simulated Gaming™

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

2.3 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 IP 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2017

2. Summary of significant accounting policies continued

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 asset's 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.

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 expires.

Trade and other receivables

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

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

2. Summary of significant accounting policies continued

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

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

Trade and other payables

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

2.10 Current and deferred tax

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

Current tax

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

Research and development tax

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

Deferred tax

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.

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.

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 substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset or liability is realised or settled.

2.11 Operating leases

All leases held by the Group are operating leases and, as such, are charged to the statement of comprehensive income on a straight line basis over the lease term. Rent free periods or other incentives received for entering into a lease are accounted for over the lease term, so as to spread the benefit received. Operating lease costs relating to rent are apportioned on a per head basis and, where this headcount is capitalised, cost is capitalised in line with the Group's capitalisation policy.

2.12 Share based payments

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

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

The fair value of share options is determined using a Black Scholes model, taking into consideration management's best estimate of the expected life of the option and the estimated number of shares that will eventually vest. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations. Where existing share options are modified, the increase in fair value is spread over the remaining vesting period. Where options are reissued post vesting period with a new vesting period, the total fair value of the re-issue is spread over the new vesting period.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2017

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 co operation with the Group's operating segments. The Board provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, non derivative financial instruments and investment of excess liquidity.

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

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

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

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

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

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

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

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

3.7 Fair value estimation
The carrying values 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 IFRSs 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

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

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 are 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 relates 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.

The Group has recognised one-off revenue amounting to £758k (2016: £nil) for the development of Overseas Internet Casino. This was delivered in H2 2017 and available in regulated European markets. The Group believes that this treatment is consistent with accounting standards and revenue recognition policies and is consistent with the stand-alone selling price of the transaction. This development also represents a separate and distinct performance obligation to any ongoing contractual obligations as referenced in note 3.8.

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.

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

4. Net revenue

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2017

5. Segmental information

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

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

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

Segment revenues and results

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

Year ended 31 December 2017	RMG £'000	SIMGAM £'000	Total £'000
Net revenue	**5,014**	**4,106**	**9,120**
Distribution costs (excluding depreciation and amortisation)	**(2,403)**	**(1,195)**	**(3,598)**
Segment result	**2,611**	**2,911**	**5,522**
Administration expenses			**(5,223)**
Depreciation on property, plant and equipment			**(379)**
Amortisation of intangible assets			**(3,851)**
Impairment of intangible assets			**(168)**
Net finance cost			**(117)**
Loss before taxation			**(4,216)**
Tax credit			**738**
Loss for the year after taxation			**(3,478)**

Year ended 31 December 2016	RMG £'000	SIMGAM £'000	Total £'000
Net revenue	4,745	3,058	7,803
Distribution costs (excluding depreciation and amortisation)	(2,077)	(1,357)	(3,434)
Segment result	2,668	1,701	4,369
Administration expenses			(5,600)
Depreciation on property, plant and equipment			(375)
Amortisation of intangible assets			(3,203)
Impairment of intangible assets			(411)
Net finance income			21
Loss before taxation			(5,199)
Tax credit			1,440
Loss for the year after taxation			(3,759)

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 segments and liabilities has not been included in this financial information.

Geographic analysis of revenues

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

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

Information about major customers

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

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

Geographic analysis of non current assets

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2017

6. Operating loss
6.1 Operating loss has been arrived at after charging:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Staff costs (note 7)	**3,218**	3,450
Auditor's remuneration:		
— Audit	**70**	55
— Others	**10**	5
Amortisation of intangibles	**3,851**	3,203
Depreciation on property, plant and equipment	**379**	375
Impairment	**(168)**	411
Foreign exchange (gains)/losses	**174**	(408)
Rent payable under operating leases	**341**	299
Employee share based payment charge (note 17)	**117**	157
Profit on sale of intangible assets	**(303)**	–
Loss on disposal of fixed assets	**–**	77

Staff costs and rent payable under operating leases charged to the income statement, as shown in the table above, are less amounts capitalised in the year of £3,150,211 (2016: £3,647,943) as part of capitalised development costs reflected within note 10.

Total wages and salaries related to research and development were £3,217,557 (2016: £3,889,892) of which £2,513,450 (2016: £2,990,201) was capitalised. Intellectual property with a net book value of £nil was sold for £303,000.

6.2 Exceptional costs

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Compensation for redundancy	**320**	4
Key management relocation costs	**–**	51
Costs associated to bond issue	**14**	–
Other exceptional costs	**7**	87
	341	142

During the year operational restructuring within the Group generated redundancies totalling £320,000.

7. Staff costs

	Year ended 31 December 2017	Year ended 31 December 2016
The average number of employees (including executive directors) employed was:		
Management	**9**	10
Administration and technical staff	**87**	93
	96	103

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
The aggregate remuneration of the above employees comprised (including directors):		
Wages and salaries	**5,073**	5,684
Social security costs	**583**	583
Pension costs	**138**	173
Employee share based payment charge	**117**	157
	5,911	6,597

Employee remuneration (including directors) incurred by the parent Company totalled £4,061,665 (2016: £5,483,619) and average number of employees was 65 (2016: 90).

7. Staff costs continued

Total staff costs included in capitalised development costs for the year were £2,513,450 (2016: £2,990,201) and are reflected within note 10.

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 2017 £'000**	Total 2016 £'000
Desmond Glass (Resigned)	173	–	12	**185**	176
David O'Reilly (Resigned)	35	–	–	**35**	53
Dermot S Smurfit	338	–	39	**377**	303
Michael Smurfit Jr.	30	–	2	**32**	32
Roger Kendrick	30	–	2	**32**	32
Seamus McGill	62	–	4	**66**	169
	668	–	59	**727**	765

The aggregate remuneration for key management personnel comprised:

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Wages and salaries	**1,603**	1,342
Relocation cost	**–**	113
Social security costs	**220**	47
Employee share based payment charge	**106**	118
	1,929	1,620

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

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
The aggregate remuneration comprised:		
Director's remuneration	**377**	303
	377	303

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	Lapsed/ forfeited during the year	Exercised during the year	**Total 2017**	Total 2016
Desmond Glass (Resigned)	551,000	–	–	–	**551,000**	551,000
David O'Reilly (Resigned)	75,000	–	75,000	–	**–**	75,000
Dermot S Smurfit	1,346,000	1,846,000	1,346,000	–	**1,846,000**	1,346,000
Michael Smurfit Jr.	50,000	100,000	50,000	–	**100,000**	50,000
Roger Kendrick	50,000	100,000	50,000	–	**100,000**	50,000
Seamus McGill	–	200,000	–	–	**200,000**	-
	2,072,000	2,246,000	1,521,000	–	**2,797,000**	2,072,000

8. Finance income and expense

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Interest payable	**(122)**	–
Interest receivable	**5**	21
	(117)	21

Interest payable is in respect of amounts accrued on the issued 9% convertible bond, as set out in note 14.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2017

9. Taxation

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

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

	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Factors affecting tax charge 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	**(4,216)**	(5,199)
(Loss) before taxation multiplied by the average standard rates of corporation tax in the UK of 19.00% (2016: 20.00%)	**(810)**	(1,040)
Effects of:		
Other permanent and similar differences, including expenses not deductible for tax purposes	**29**	75
Current year tax losses not utilised/recognised	**834**	1,225
Other timing differences not recognised for deferred tax purpose	**(53)**	(260)
Research and development tax credit	**(795)**	(1,950)
De-recognition of deferred tax asset	**–**	510
Tax credit for year	**(738)**	(1,440)

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

	At 31 December 2017 £'000	At 31 December 2016 £'000
Corporation tax losses carried forward	**16,408**	13,707

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

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

There was no deferred tax asset for the Group at 31 December 2017 (2016: £nil) 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 2017 £'000	At 31 December 2016 £'000
Tax losses carried forward	**2,555**	1,924
Depreciation in excess of capital allowances	**54**	13
Short term timing differences	**9**	53
	2,618	1,990

10. Intangible assets (Group)

	Brand assets £'000	Development costs £'000	Licence costs £'000	Total brand assets, development & licence costs £'000
COST				
At 31 December 2015	252	8,362	420	9,034
Additions	–	3,648	157	3,805
At 31 December 2016	252	12,010	577	12,839
Additions	46	3,378	33	3,457
Impairment	–	(272)	–	(272)
AT 31 DECEMBER 2017	**298**	**15,116**	**610**	**16,034**
ACCUMULATED AMORTISATION				
At 31 December 2015	6	3,360	98	3,464
Charge for the year	90	2,754	98	2,942
At 31 December 2016	96	6,114	196	6,406
Charge for the year	91	3,646	114	3,851
Impairment	–	(104)	–	(104)
AT 31 DECEMBER 2017	**187**	**9,656**	**310**	**10,153**
NET BOOK VALUE				
At 31 December 2015	246	5,002	322	5,570
At 31 December 2016	156	5,896	381	6,433
AT 31 DECEMBER 2017	**111**	**5,460**	**300**	**5,871**

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

10. Intangible assets (Company)

	Brand assets £'000	Development costs £'000	Licence costs £'000	Total brand assets, development & licence costs £'000
COST				
At 31 December 2015	252	8,308	419	8,979
Additions	–	3,648	157	3,805
At 31 December 2016	252	11,956	576	12,784
Additions	46	3,432	33	3,511
Impairment	–	(272)	–	(272)
AT 31 DECEMBER 2017	**298**	**15,116**	**609**	**16,023**
ACCUMULATED AMORTISATION				
At 31 December 2015	6	3,332	97	3,435
Charge for the year	90	2,734	99	2,923
At 31 December 2016	96	6,066	196	6,358
Charge for the year	90	3,692	114	3,896
Impairment	–	(104)	–	(104)
AT 31 DECEMBER 2017	**186**	**9,654**	**310**	**10,150**
NET BOOK VALUE				
At 31 December 2015	246	4,976	322	5,544
At 31 December 2016	156	5,890	380	6,426
AT 31 DECEMBER 2017	**112**	**5,462**	**298**	**5,872**

During the year the Company disposed of its domain, brand and customer list relating to moneygaming for total proceeds of £303,000.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2017

11. Property, plant and equipment (Group)

	Fixtures, fittings, equipment and leasehold improvements £'000
COST	
At 31 December 2015	2,971
Additions	46
Disposal	(352)
At 31 December 2016	2,665
Additions	274
Disposal	(9)
AT 31 DECEMBER 2017	**2,930**
ACCUMULATED DEPRECIATION	
At 31 December 2015	2,086
Charge for the year	375
Disposal	(275)
At 31 December 2016	2,186
Charge for the year	379
Disposal	(9)
AT 31 DECEMBER 2017	**2,556**
NET BOOK VALUE	
At 31 December 2015	884
At 31 December 2016	479
AT 31 DECEMBER 2017	**374**

11. Property, plant and equipment (Company)

	Fixtures, fittings, equipment and leasehold improvements £'000
COST	
At 31 December 2015	2,603
Additions	8
Disposal	(351)
At 31 December 2016	2,260
Additions	107
Disposal	(9)
AT 31 DECEMBER 2017	**2,358**
ACCUMULATED DEPRECIATION	
At 31 December 2015	1,781
Charge for the year	344
Disposal	(277)
At 31 December 2016	1,849
Charge for the year	369
Disposal	(9)
AT 31 DECEMBER 2017	**2,209**
NET BOOK VALUE	
At 31 December 2015	822
At 31 December 2016	411
AT 31 DECEMBER 2017	**149**

12. Trade and other receivables

	Company At 31 December 2017 £'000	**Group At 31 December 2017 £'000**	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000
Trade receivables	**1,800**	**1,800**	1,757	1,757
Other receivables	**338**	**457**	156	251
Amounts owed by Group undertakings	**710**	**–**	657	–
Prepayments and accrued income	**667**	**809**	716	826
	3,515	**3,066**	3,286	2,834

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

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

	Company At 31 December 2017 £'000	**Group At 31 December 2017 £'000**	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000
Between one and two months	**241**	**241**	98	98
Between two and three months	**160**	**160**	143	143
More than three months	**496**	**496**	649	649
	897	**897**	890	890

The Group recognised a charge in respect of doubtful receivables in each of the years ended 31 December 2017 and 31 December 2016 of £29,750 and £137,366 respectively representing a decrease of £107,616. 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2017

12. Trade and other receivables continued

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

	At 31 December 2017	At 31 December 2016
Debtor days (Group and Company)	**38 days**	82 days

Debtor days is calculated by dividing the total sales invoices raised in the year, less credit notes, by the trade receivable outstanding at year end, multiplied by the number of days in the year.

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 15, credit risk is mitigated by the fact that:

- management monitors the debtor ledger closely on a frequent basis; and
- 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 2017, the Group does not have a concentration of credit risk exposure to a single counterparty (2016: £nil).

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 2017 £'000	Group At 31 December 2017 £'000	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000
United States Dollars	**940**	**947**	1,127	1,133
Euros	**1,120**	**1,128**	769	771
Australian Dollars	**1**	**1**	23	23
	2,061	**2,076**	1,919	1,927

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.

Lease deposits

	Company At 31 December 2017 £'000	Group At 31 December 2017 £'000	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000
Lease deposits – current	**170**	**192**	–	–
Lease deposits – non-current	**–**	**–**	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 (Company and Group)

	Company At 31 December 2017 £'000	Group At 31 December 2017 £'000	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000
Cash in bank accounts	**1,408**	**2,746**	2,817	3,179

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 2017 £'000	Group At 31 December 2017 £'000	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000
United States Dollars	**508**	**1,827**	975	1,438
Euros	**339**	**378**	308	356
Australian Dollars	**28**	**28**	–	17
	875	**2,233**	1,283	1,811

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 2017 £'000	Group At 31 December 2017 £'000	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000
Amounts falling due within one year				
Trade payables	**1,868**	**1,881**	1,576	1,600
Other taxation and social security	**93**	**144**	145	146
Other payables	**224**	**265**	141	170
Loan interest	**121**	**121**	–	–
Accruals and deferred income	**627**	**650**	1,021	1,079
	2,933	**3,061**	2,883	2,995

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 2017	At 31 December 2016
Creditor days (Group and Company)	**32 days**	47 days

Creditor days is calculated by dividing the total purchase invoices raised in the year by the trade payables outstanding at year end, multiplied by the number of days in the year.

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 2017 £'000	Group At 31 December 2017 £'000	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000
United States Dollars	**741**	**744**	851	873
Euros	**233**	**233**	131	131
Australian Dollars	**–**	**–**	3	3
	974	**977**	985	1,007

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 2017 £'000	Group At 31 December 2017 £'000	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000
Accruals	**–**	**–**	160	160
Loan notes	**2,001**	**2,001**	–	–
Finance lease liability	**211**	**211**	–	–
Deferred consideration	**–**	**–**	61	61
	2,212	**2,212**	221	221

Accruals relate to the rent free period on the Group's leased properties and are spread over the term of the lease. The deferred consideration relates to amounts payable to acquire brand assets included in note 10.

In April 2017, the Group raised £2.0m following issue of 2,001,483 £1 convertible unsecured loan notes. The loan notes have an interest rate of 9% payable quarterly in arrears from 1 January 2018, with redemption in April 2022. During the period interest of £30,000 was accrued in relation to the loan notes.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2017

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
- Convertible debt
- Cash and cash equivalents

Financial assets
The Group held the following financial assets:

	Company At 31 December 2017 £'000	**Group At 31 December 2017 £'000**	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000
Loans and receivables:				
Cash and cash equivalents	**1,408**	**2,746**	2,818	3,179
Trade and other receivables	**3,098**	**2,506**	5,516	2,253
	4,506	**5,252**	8,334	5,432

Financial liabilities
The Group held the following financial liabilities:

	Company At 31 December 2017 £'000	**Group At 31 December 2017 £'000**	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000
AMORTISED COST				
Trade payables	**1,868**	**1,881**	1,576	1,600
Convertible bond	**2,001**	**2,001**	–	–
Other financial liabilities	**1,013**	**1,046**	1,146	1,235
	4,882	**4,928**	2,722	2,835

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.

15. Financial instruments continued

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 States Dollar payments.

The Board carefully monitors exchange rate fluctuations and reviews their impact on the net assets 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 2016 and 2017 are shown in notes 12, 13 and 14.

At each year end, if the United States Dollar, Euro and Australian Dollar had weakened by 10% and by 20% 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 2016	(354)	(570)
At 31 December 2017	(312)	(560)

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 numbers 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 United States 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 2017 (31 December 2016: 0.3%). The Group also has convertible loan notes in issue which incur a fixed interest rate of 9%. The directors currently believe that interest rate risk is at an acceptable level.

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. Convertible loan notes in issue with a fixed interest rate of 9% are not payable until 2022.

At 31 December 2017 the Group had £2.7m (31 December 2016: £3.2m) 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 years to 31 December 2017 and 2016 are either payable or receivable within one year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2017

16. Share capital (Group and Company)

	Ordinary shares No.
ALLOTTED, ISSUED AND FULLY PAID	
At 31 December 2015	55,970,036
Issued during the year (i), (ii), (iii), (iv)	14,081,888
At 31 December 2016	70,051,924
Issued during the year	–
AT 31 DECEMBER 2017	**70,051,924**

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

Issue of shares
During the year 3,735,829 share options previously granted were forfeited by the option holders in exchange for the issue of new share options. This has been accounted for as a modification and the incremental fair value at the date of grant of the new share options has been spread over the new vesting period.

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

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
150,000	60p	August 2013 to August 2018
187,000	135p	August 2014 to August 2019
213,000	50p	March 2015 to March 2020
170,000	31.5p	July 2016 to July 2021
2,101,500	25.5p	July 2018 to July 2027
1,846,000	25p	July 2018 to July 2027
400,000	20.5p	August 2018 to August 2027
361,000	34p	November 2018 to November 2027
20,000	34.5p	November 2018 to November 2027
50,000	32.25p	December 2018 to December 2027
5,498,500		

The weighted average fair value of options granted in the year using the Black Scholes option pricing model was £0.31 (2016: £0.55) .The weighted average life of shares in issue at the year end was 1.70 years (2016: 1.26 years). The inputs into the Black Scholes model are as follows:

	2017	2016
Weighted average share price	**25.45p**	28p
Weighted average exercise price	**25.64p**	31.50p
Expected volatility	**23.7%**	37.0%
Expected life	**3 years**	3 years
Risk free rate	**0.64%**	0.26%
Expected dividends	**0.0%**	0.0%

Expected volatility was determined by reference to the volatility of the Company share price.

17. Employee share based payments continued

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

	Company At 31 December 2017 £'000	Group At 31 December 2017 £'000	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000
Share based payment charge	**117**	**117**	157	157

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

	At 31 December 2017		At 31 December 2016	
	Average exercise price per share	Number of options	Average exercise price per share	Number of options
At the beginning of the year	**55p**	**4,455,829**	63p	4,121,725
Granted	**20.5p**	**400,000**	31.5p	1,325,000
Granted	**25p**	**1,846,000**	–	–
Granted	**25.5p**	**2,101,500**	–	–
Granted	**34p**	**361,000**	–	–
Granted	**34.5p**	**20,000**	–	–
Granted	**32.25p**	**50,000**	–	–
Lapsed/Forfeited	**(22p)**	**(993,250)**	(22p)	(162,500)
Lapsed/Forfeited	**(31.5p)**	**(1,155,000)**	–	–
Lapsed/Forfeited	**(50p)**	**(658,000)**	(50p)	(225,000)
Lapsed/Forfeited	**(135p)**	**(623,000)**	(135p)	(110,000)
Lapsed/Forfeited	**(60p)**	**(306,579)**	(60p)	(493,396)
At the end of the year	**31p**	**5,498,500**	55p	4,455,829

During the year 3,735,829 share options previously granted were forfeited by the option holders in exchange for the issue of new share options. This has been accounted for as a modification and the incremental fair value at the date of grant of the new share options has been spread over the new vesting period.

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 convertible debt 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 2017 Pence	Year ended 31 December 2016 Pence
Basic	**(4.96)**	(5.81)
Diluted	**(4.96)**	(5.81)

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2017

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

- 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.
- GameAccount 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 US, 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, 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.
- GAN Digital Ltd. The principal activity of GAN Digital Ltd is the provision of marketing services anticipated in future periods. GAN Digital Ltd is registered in Israel with registered address 31 Ahad Ha'am Street, Tel Aviv 6520204 and was dormant at the year end.

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

The offer of a 9% convertible loan note for a consideration of £2.0m in April 2017 was in part accepted by Roger Kendrick for £94,822, who is a director, Michael Smurfit Jr. for £3,988, who is a director, and Sir Michael Smurfit for £1,854,154, who is a related party to Michael Smurfit Jr.

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 2,246,000 (2016: 200,000).

During the year, options over the Company's shares that had been granted to directors were forfeited. The total number of options granted to directors that were forfeited were 1,446,000 (2016:nil).

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. As at the year ended 31 December 2017, the balance due from GameAccount Nevada Inc. was £1,082,161 (2016: £298,693). Receipts relating to Simulated Gaming™ revenues are to be settled in cash within two months of the reporting date.

As at the year ended 31 December 2017, the balance due to GameAccount Alderney Limited was £207,073 (2016: £(501,032)).

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 2017 £'000	Group At 31 December 2017 £'000	Company At 31 December 2016 £'000	Group At 31 December 2016 £'000
Operating leases				
Not later than one year	266	384	480	523
Later than one year not later than five years	–	149	1,001	1,222
Later than five years	–	–	–	–
	266	533	1,481	1,745

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.

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
Michael Smurfit Jr.	
Roger Kendrick	

Secretary
Karen Ashcroft

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