GAN™

# ENTERPRISE GAMBLING IN GROWTH MARKETS

Annual Report
and Accounts
**2018**


# 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 (IGS) which we license to online and land-based gaming operators as a turnkey technology solution for both 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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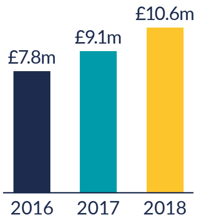
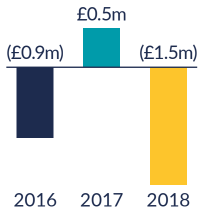
# HIGHLIGHTS
## Financial overview

- Net revenue of £10.6m (2017: £9.1m), an increase of 16% on 2017
- Clean EBITDA loss of £1.5m (2017: Clean EBITDA profit of £0.5m)
- Loss before tax of £6.7m (2017: £4.2m) and loss per share of £0.08 (2017: £0.05)
- Loss after tax of £6.0m (2017: £3.5m)
- Cash and cash equivalents at the end of the year of £5.5m (2017: £2.7m)
- Net assets at the end of the year of £9.4m (2017: £7.6m)
- Raised gross proceeds from share placings of £7.5m in 2018
- Adoption of IFRS 9, 15 and 16 in the year

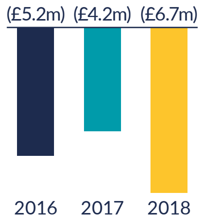
**Net revenue**



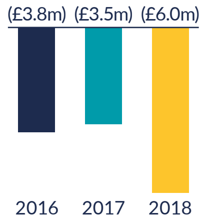

**Clean EBITDA[1] profit/(loss)**



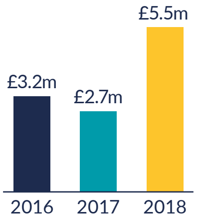

**Loss before tax**



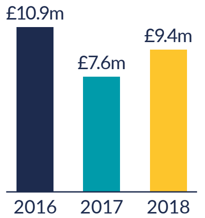

**Loss after tax**



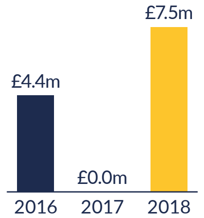

**Cash and cash equivalents**




**Net assets**

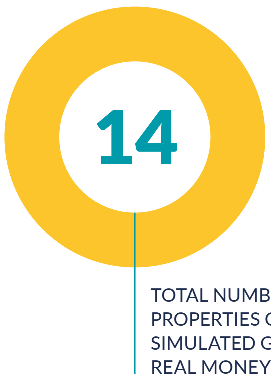



**Raised gross proceeds from share placings**




## Strategic and operational developments

- Successful equity raise of £7.5m in June 2018, which was used to pay off existing debt and invest in tech resources. GAN will no longer have any debt, excluding lease liabilities.
- Launched Sports Betting for Betfair/FanDuel on GAN's enterprise platform in New Jersey in September 2018, where a 28% share of New Jersey's online sports betting ran through GAN's platform in 2018 since launch per Eilers & Krejcik Gaming's US Sports Gaming Monitor monthly report.
- Launched Simulated Gaming™ website for Pearl River Resort in Choctaw, Mississippi in December 2018.
- Continued delivery of Betfair's fast-growing New Jersey Internet casino business BetfairCasino.com, which is reliant on GAN's Internet gaming platform, content and hardware support services.
- Continued investment in UK and Bulgarian tech resources to support additional launches in New Jersey, Pennsylvania, West Virginia and additional states that may regulate in the future.
- In March 2019, the Pennsylvania Gaming Control Board conditionally approved GAN plc as an Interactive Gaming Manufacturer, a key step for GAN which reflects the Company's reputation and long-held commitment to transparency, compliance and probity.
- Post-period-end preparations underway for GAN to launch Parx Casino in Pennsylvania and New Jersey and Betfair/FanDuel in West Virginia and Pennsylvania for both internet gaming and sport betting.




TOTAL NUMBER OF US CASINO PROPERTIES OPERATING SIMULATED GAMING™ AND REAL MONEY GAMING WITH 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 reflect 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 worldwide. 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, subject to local licensing requirements. 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 2018 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 and Italy, we have grown our client base to include 23 large-scale operators, 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 (Winstar Online Internet Casino), 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, have enabled us to secure and develop relationships within gaming around the globe.

## Where we are

### Global footprint

#### US

In our fifth 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 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

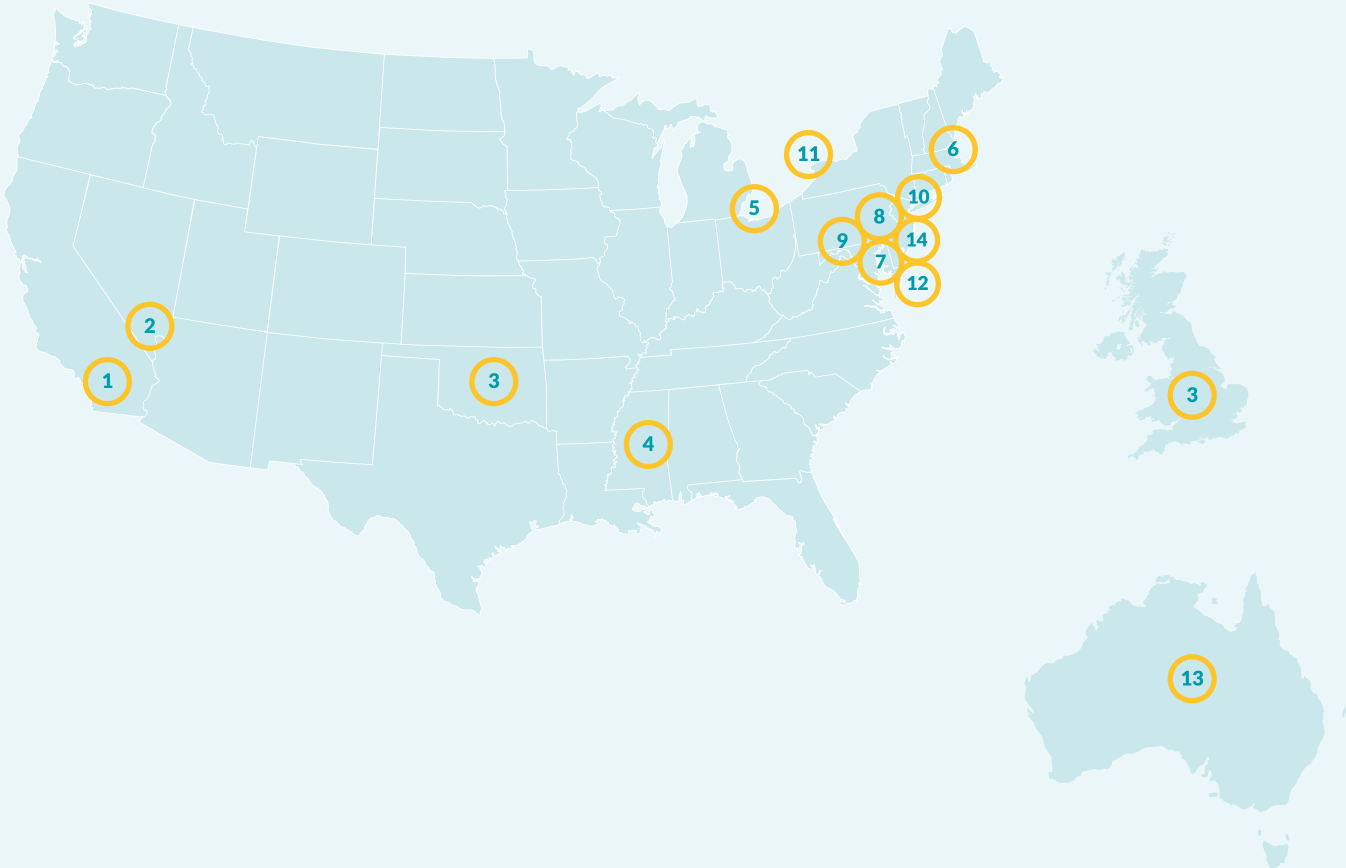
GAN extended its market position in Italy, growing gross income from £31.8m in 2017 to £42.4m in 2018), an increase of 33% year-on-year. Our Italian content delivery services business continues to be a strong revenue driver for GAN.

#### 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.




# GAN partnerships footprint

**1. Los Angeles**

**2. Las Vegas**

**3. Oklahoma & UK**

**4. Mississippi**

**5. Detroit**

**6. Providence**

**7. New Jersey**

**8. Philadelphia**

**9. Maryland**

**10. New York City**

**11. Rochester**

**12. Atlantic City**

**13. Australia**

**14. New Jersey**

# MARKET REVIEW

Real money regulated intra-State Internet gambling in the US continued in 2018 and additional US States commenced the legislative cycle to consider implementing intra-State Internet gambling, including West Virginia which regulated Internet sports betting in June 2018. As more US States pass laws to permit their residents to gamble online, GAN's commercial opportunity and total addressable market in the US expands.

## Regulated US Internet gaming

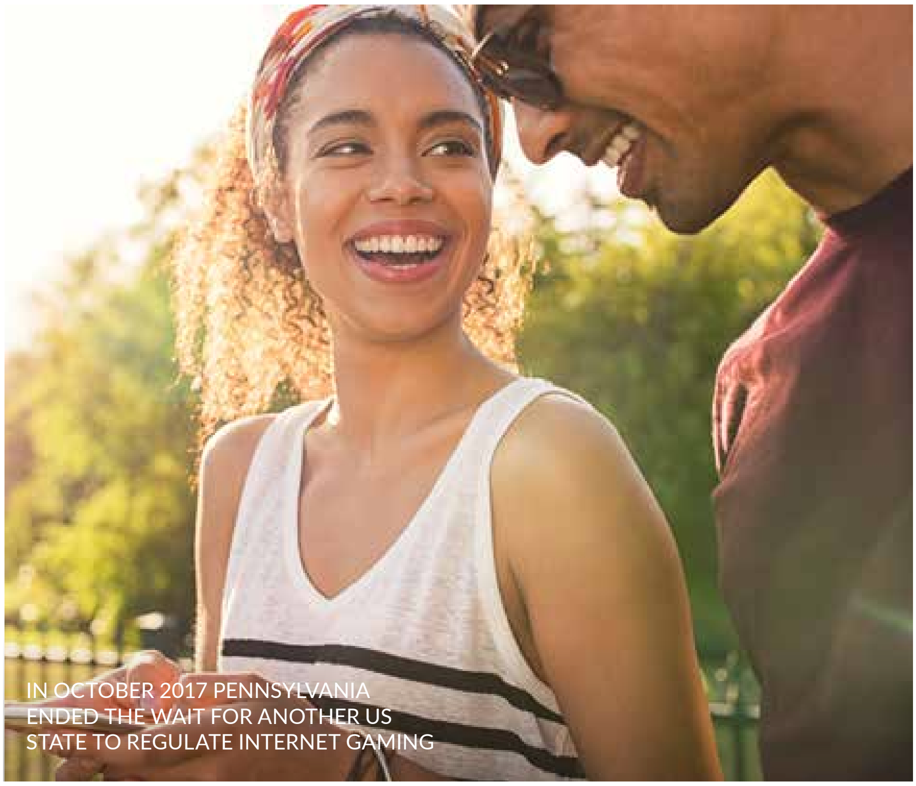
In 2018 there were approximately 1,000+ land-based casinos in the US, located in 40 States. 577 commercial casinos in America generated $39.9bn in retail gaming revenues and the 485 Native American casinos generated a further $32.6bn for a total of $72.5bn in US retail gaming revenues from casino properties located in 40 States as per Rubin & Brown LLP Gaming Research. In contrast, only three US States permitted Internet gaming, of which the State of New Jersey accounted for $299m – the overwhelming majority of US Internet gaming in 2018. The significant 2018 haul lifts lifetime online gaming revenues above $1 billion since inception in 2013.

2018 was New Jersey's fifth full year of Internet gaming and that State's Internet gaming market grew 22% year-on-year compared with New Jersey's nine land-based casinos that together saw static retail gaming revenues in the same period of $2.9bn. Accordingly, New Jersey's $299m 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. 8.9m). 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. Additionally, several states have regulated online sports betting: Pennsylvania, New Jersey, Delaware, Nevada, Rhode Island, West Virginia, New Mexico, Mississippi and Arkansas.

According to our research, six states – Michigan, Oregon, New York, Indiana, Kansas and Louisiana (together representing 14.7% of US adult population) – have a strong chance of passing sports betting legislation, while an additional 6 states – including Ohio, Illinois, Massachusetts, Connecticut, Maryland and Kentucky (together representing 28.5% of US adult population) – have some chance of passing such legislation.

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



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

In January of 2019, the Department of Justice Office of Legal Counsel has issued a replacement for its 2011 opinion which said that the Wire Act only applies to sports betting. The new opinion now makes the Wire Act applicable to any form of gambling that crosses state lines, including online gambling and online lottery. Several states have legalized online gambling in the wake of the 2011 opinion, including New Jersey, Nevada, Delaware and Pennsylvania. Sports betting and online sports gambling have also cropped up in many states in the past year in the wake of the strike down of the federal ban in 2018. So in practice, the Wire Act, which already applied to sports betting could remain unaffected. Given that environment, it's not entirely clear that the new opinion would at all affect legal online casinos and poker. Legal intrastate online sports betting already appears to be fine under the Wire Act. GAN believes that we are compliant with the Wire Act in its current and past forms as our customer transactions are all conducted intra-state.

Outside of the US, taxes on gaming revenues have increased in Italy for 2019, which have already been factored into the 2019 internal budget. GAN believe the impact is not material to earnings in 2019. In the UK, we have Brexit quickly approaching, and we believe the most likely financial impact is to the US Dollar vs. UK GBP exchange rate. We believe a no deal Brexit could yield a foreign exchange gain should the GBP devalue vs. the US Dollar.


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

## Simulated Gaming™ – now an award winning product: high-margin revenue stream generated online from existing customer database; attracts new customer demographics; increases engagement of land-based gamers; 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 1,000+ US casinos which do not sit within those four regulated US States or those 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 $5.2bn in 2018, with $3.5bn 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**

As our focus shifted towards real money gaming in 2018, the key goals of Simulated Gaming were organic growth and driving long-term engagement. We launched one Simulated Gaming™ client in December 2018: Pearl River Resorts in Mississippi, consisting of three casinos in Choctaw, Mississippi. With 13 partnerships in place, GAN continues to be positioned as a leading platform for casino operators seeking to move online.

**13**

NUMBER OF SIMULATED GAMING™ CUSTOMERS LIVE AT YEAR END.

**£4.3m**

REVENUES FOR SIMULATED GAMING™

**8.5m**

SIMULATED GAMING™ PLAYER DAYS, REPRESENTING AN INCREASE OF 11% FROM 2017

# CHAIRMAN'S STATEMENT

## Growth through innovation and execution

GAN believes that it has become synonymous with 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 2018 the Group expanded its market share in the US, our key growth market, by launching real money Internet gaming for Ocean Resort Casino in New Jersey, Internet sports betting for PaddyPower Betfair in New Jersey, and the Overseas Internet Casino for the Chickasaw Nation, one of America's largest Native American gaming operators. In May 2018, the Group announced that it had successfully raised gross proceeds of £7.5m in order to substantially increase GAN's software engineering resources to better serve existing major US clients' services. This includes the Overseas Internet Casino and launch of new US clients and services in the US in anticipation of Internet sports betting following the US Supreme Court's decision to lift the 25 year-long Federal Ban on sports betting. These funds were also used to repay the £2,001,483 9% convertible unsecured loan notes issued by GAN in April 2017 to strengthen the Company's balance sheet and for the Company to be free of financing debt (excluding lease liabilities) and capitalised to levels the Directors of GAN believe are reasonably required to serve major multi-property and multi-State casino groups in the US.

In May 2018, GAN welcomed the decision of the Supreme Court of the United States (SCOTUS) to overturn the previous federal US prohibition on sports betting enshrined with the Professional and Amateur Sports Protection Act 1992 (PASPA). GAN has been preparing for sports betting since Q4 2017 at the request of multiple US clients who asked GAN to review, procure and support the delivery of sports betting solutions both online and for deployment in the retail channel in the event PASPA was overturned.

As has been widely reported, regulated real money Internet gambling in New Jersey has been growing strongly. Our Group has executed well in delivering operationally for PaddyPower Betfair in New Jersey, earning a well-deserved reputation in the US for technical competence, reflecting the reputation already hard earned in some of Europe's toughest regulated Internet gambling markets. This reputation has translated into additional business secured via an expansion into West Virginia and Pennsylvania along with other states that may regulate Internet sports betting and/or Internet casino gaming in the future.

Your Board of Directors believes there is a significant and accelerating opportunity for both Internet casino gaming and Internet sports betting in the intra-State regulated markets of the US, with demand for Internet sports betting exceeding early expectations and proving to be a highly effective feeder of sports gamblers into the Internet casino. The prescient addition of Internet sports betting delivery capability in 2018 has become the centrepiece of the Group's growth strategy in 2019 and beyond.

Alongside the excitement surrounding real money Internet sports betting, we continue to

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

**Seamus McGill, Chairman**

be optimistic about the prospects for Simulated Gaming™. The service has become a valuable precursor to launching regulated real money Internet gambling and not only enables US casinos to drive increased visitation by their most valuable customers, but also prepares them well for the launch of real money Internet gambling.

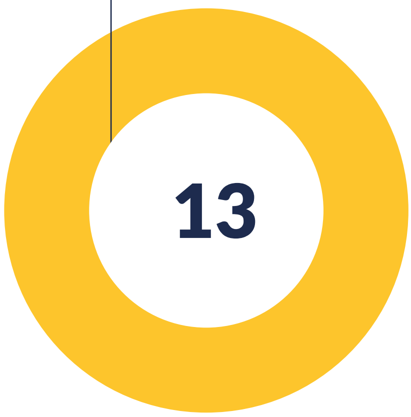
We continued to progress towards our long-term goals, which would not have been possible without the dedicated and talented staff employed by the Group in the UK, Israel, Bulgaria and throughout the US. I thank them for their continued efforts and believe the Group has become established as a major Internet gambling 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 five years building our US market position we are confident 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 forward as New Jersey's regulated Internet gambling market continues to grow, Internet sports betting becomes more widely regulated, Simulated Gaming™ continues to be adopted by additional US casino operator clients and Pennsylvania's Internet gambling market commences.

**SEAMUS MCGILL**
CHAIRMAN

29 MARCH 2019

TOTAL NUMBER OF US CASINO OPERATORS SERVED BY GAN IN 2018




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

# CHIEF EXECUTIVE OFFICER'S REVIEW

## Focused on growing recurring revenues

With the repeal of a 25-year-old US ban on sports betting the opportunity for US revenue growth is unprecedented. GAN is well positioned to take advantage of the growth potential with its award-winning enterprise gambling software platform which now supports both casino gaming and sports betting.

**$135.9m**

VALUE OF ALL PAYMENTS PROCESSED ONLINE IN THE US IN 2018

**Dear shareholders**

### Overview

GAN is successfully established as a leading provider of enterprise-level Internet gambling technology solutions to major US casino operators securing significant US market share in both Internet casino gaming and Internet sports betting. 2018 was our fifth year of continued and necessary substantial investment, opening the Group to major commercial opportunities, including expansion from the Internet gambling market of New Jersey (pop. 9m) into those of West Virginia (pop. 1.7m) and Pennsylvania (pop. 13m).

GAN's enterprise-level technology platform for US-compliant Internet gambling is a scarce asset, managed by a team of equally-scarce specialists with extended experience operating Internet gambling technology in one of the world's most challenging regulated Internet gambling markets. Excellence in facilitating payment processing, maximising the monetisation of new end users, our US-patented approach to converging in-casino loyalty programs with Internet gambling and ensuring excellence in our technical quality of services. This is what sets GAN apart from its competitors, as the Group enjoys a strong reputation amongst its clients of both real money regulated Internet gambling and for-fun ('freemium') Simulated Gaming.

Substantial continued investment has been made in the Group's software and technology teams to further enhance the Company's ability to deliver best-in-class on-line real money regulated gaming to casino operators.
This greatly enhances the Group's capability to deliver real money regulated Internet gambling software and services to US clients now including integrated Internet sports betting for the first time in the 17 year history of the Group. Intra-State regulation of real money Internet gambling re-started with Pennsylvania passing legislation in October 2017 to permit Internet gambling, nearly four years after New Jersey's Internet gaming market commenced.
Legislative actions also occurred in several other US States in 2018, which suggests the State by State regulation of Internet gambling may progress further in the US during the course of 2019.

In New Jersey, the Group delivered strongly for two clients of regulated Internet casino gaming as well as one client of Internet sports betting. I would like to take this opportunity to thank staff at GAN, the regulators at the New Jersey Division of Gaming Enforcement and the Pennsylvania Gaming Control Board for all their support during 2018. During the year, the Group achieved strong financial growth in recurring net revenues driven primarily by Simulated Gaming across the US and from regulated real money internet gaming in New Jersey and Italy. Overall net revenue grew by 16% to £10.6m (2017: £9.1m).

## Strategy

Expansion in the US remains a continuing strategic priority for the Group with requisite increases in technology engineering resources in Europe together with a limited expansion of operational and services support in certain regions of the US. The integration and launch of the Group's first-ever sports betting application, seamlessly integrated with the GAN Internet gambling software platform, enabled the Group to be positioned to serve new demand from existing clients for Internet sports betting as well as greatly enhancing our overall US market position. GAN's technology solution for delivering both state-of-the-art Internet casino gaming alongside Internet sports betting operated online at substantial scale in 2018, demonstrating the operational capability of our central technology asset, the software-based Internet gambling system.

In Europe, the Group extended its market position in Italy with a new Italian client Goldbet, renewal of our agreement with major Italian client SNAI, and a substantial range of new casino gaming content delivered to clients 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 2018 as a result of the regulation of Internet casino slots gaming in 2013.

Outside Europe, the Group opened 'GAN Digital', an in-house marketing agency in Tel Aviv, Israel to provide digital user acquisition and retention services to selected clients worldwide. Marketing services by GAN Digital commenced in late 2018 focused on driving user acquisition and retention of real money Internet casino gaming customers.

**DERMOT SMURFIT**
CHIEF EXECUTIVE OFFICER

29 MARCH 2019

GAN IS WELL POSITIONED TO CAPTURE SIGNIFICANT MARKET SHARE IN ANY INCREMENTAL US INTRA-STATE MARKETS

"Market share growth in the US remains a continuing strategic priority for the Group."

**Dermot Smurfit, Chief Executive Officer**

# CORE BUSINESS OFFERINGS

GameSTACK™ IGS: Winner of eGaming Review's peer-juried Casino Platform Supplier of the Year 2015 and 2016; Freeplay Gaming Supplier of the Year 2016 and 2017; 2018 Eilers and Krejcik Best B2B Social Slot Company.

GAN's GameSTACK™ IGS technology and complementary SaaS structure are 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 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, Synot, 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.

## 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 and 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 other third-party technologies.

GAN's open platform has undergone significant technical developments in the last four years, providing our partners – be they operators, content providers or other services providers – with a technical ecosystem that has been awarded by eGaming Review'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 eight 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, Tel Aviv 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.

## REAL MONEY GAMING

In the US, the standard European rule book for Internet gaming was replaced with a brand new set of requirements, tools and capabilities. Very few B2B 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 whose 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, Parx Casino and the Chickasaw Nation of Oklahoma to nominate GAN as their partner for Internet gaming, 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. Parx Casino becomes GAN's third client in New Jersey and the Company's second 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 2018 GAN focused internal resources on developing its sports betting capabilities while delivering optimisations to real money US Internet casino gaming and sports 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, 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 and have it well positioned for the 2019 launch in Pennsylvania and West Virginia given the recent expansion agreement with Paddy Power Betfair.

Real money Internet gaming expertise lies at the centre of GAN's professional approach to deliver enterprise gaming solutions to clients in the US.

## SIMULATED GAMING™

Launched in 2014, Simulated Gaming™ remains one of the most exciting business opportunities available to GAN and its clients in states that do not regulate online real money gaming.

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.

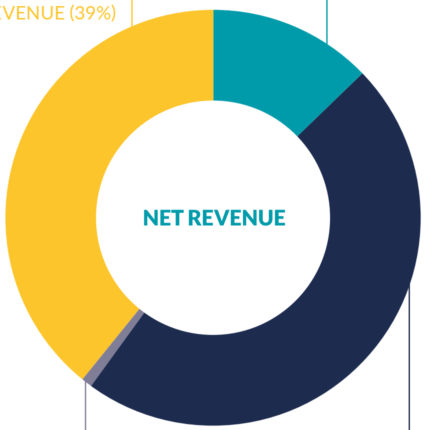
Furthermore, by launching Simulated Gaming™, GAN's clients have the ability to engage with new demographics of potential customers with a view to engaging them online first and, over time, presenting those online customers with a range of incentives to bring them to their retail casino. In our view, 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.

# FINANCIAL AND OPERATIONAL REVIEW

## Growth and investment

An expanding customer base and investment in technology will position GAN for long-term revenue and EBITDA growth for 2019 and beyond.




**Summary**

Revenue has continued to grow in 2018 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 ended 2018 with 14 simulated and real money casino operators in the US and Australia. 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 62% 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 88% of total net revenue. In addition to the US market growth, the launch of an additional operator and organic growth in the prior period has continued to fuel revenue growth in the regulated Italian market. Net revenues from the Italian market have grown and now represent over 37% 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 a 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 in 2017. 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 £49.2m, a 20% increase from 2017. Net revenue for the year was £10.6m compared with £9.1m in the same period last year, an increase of 16%. Clean EBITDA loss of £1.5m compares against a Clean EBITDA profit in 2017 of £0.5m and a loss before taxation of £6.7m compares with a loss before taxation in the prior period of £4.2m. The key driver for the EBITDA loss in 2018 is the continued investment in technology headcount to support our growing sales pipeline and desired expansion by our partners, early adoption of IFRS 16, the loss on Overseas Internet Casino (£0.2m) and the recognition of the sale of Moneygaming.com and the associated website in 2017. The loss after taxation of £6.0m 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 £0.8m received in 2018 in relation to 2017. The EBITDA loss for 2018 is after the positive impact of the adoption of IFRS 16 of £0.3m.

The Group also adopted IFRS standards 9 and 15 and early adoption of IFRS 16. The Group ended the year with a cash balance of £5.5m compared with £2.7m for the year ended 31 December 2017 and net assets at 31 December 2018 of £9.4m compared with £7.6m in the previous year.

## Key performance indicators

| | 2018 £'000 | 2017 £'000 |
|---|---|---|
| Gross income from gaming operations and services | 49,203 | 41,075 |
| Net revenue | 10,569 | 9,120 |
| Clean EBITDA | (1,453) | 454 |
| Loss before taxation | (6,694) | (4,216) |
| Loss after taxation | (6,028) | (3,478) |
| Net assets | 9,364 | 7,579 |
| Cash and equivalents | 5,549 | 2,746 |

### Revenue

Gross income from gaming operations and services increased by 20% to £49.2m in 2018. 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 £10.6m has increased by 16% and is £1.5m higher than the net revenue generated in the previous year of £9.1m. Real money gaming (RMG) revenues have increased by £1.2m, all coming from the increase on revenue share. For Simulated GamingTM (SIMGAM) development fees reduced year-on-year by £0.2m, while revenue share increased by £0.4m (10%) resulting in an overall 5% 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 serves 14 casinos.

### 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 £8.0m to £9.6m for the year ended 31 December 2018. 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, Tel Aviv, and Sofia offices. The Group reports total administrative expenses for the year ended 31 December 2018 of £7.2m, £1.7m more than those incurred in 2017.

### 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 loss of £1.5m in 2018 compares with a clean EBITDA gain of £0.5m in 2017 reflecting the impact of continued investment in the underlying delivery and product capability, year one loss of the Overseas Internet Casino (£0.2m) and the positive impact of the adoption of IFRS 16 of £0.3m.

### Cash Flow

The cash balance at 31 December 2018 was £5.5m compared with £2.7m in 2017, an increase of £2.8m. During the year the Group has continued to invest in tech resources to accommodate the increasing sales pipeline, which reflect the increasing demand for GAN's flexible enterprise platform. The Group raised gross proceeds of £7.5m through an equity raise, together with operating cash outflow before movement in working capital and taxation of £1.5m, partially offset expenditure of £3.3m 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 and repayment of convertible debt by the Group, cash outflow has increased from £1.9m in 2017 to £2.8m in 2018.

### 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.

# PRINCIPAL RISKS AND UNCERTAINTIES

The risks outlined below are those 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<br>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 licences. In addition, there can be no guarantee that a jurisdiction will not change its licensing requirements nor that revenue streams that currently do not require a licence will continue without additional regulations or additional taxation or that further States will regulate online real money gaming. | As an established regulated supplier to the online gambling sector, the Group is vigilant over legal and regulatory issues that may apply to its activities, not only in those jurisdictions where the Group is located but also where its licensees are operating using GAN software and services.<br>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<br>Liquidity | The Group has historically been loss making with negative cash flows, and this trend continued in to 2018. | The Board has stress-tested future cash flows to ensure operational growth and delivery are not compromised. |
| THE MARKETPLACE<br>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. |

| Risk category | Description | Mitigation |
| --- | --- | --- |
| TECHNOLOGY<br>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.<br>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<br>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, where results can be impacted by loss of licensees, 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™ and Real Money Gaming products in the US and Australian markets. |
| EMPLOYEES<br>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. |

# 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.

OUR TEAMS ARE EXTENSIVELY TRAINED IN THE AREA OF RESPONSIBLE GAMING

### 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 16 is approved by the Board of Directors and signed on its behalf by:

**DERMOT SMURFIT**
CHIEF EXECUTIVE OFFICER

29 March 2019

# CORPORATE GOVERNANCE STATEMENT
## Leadership and effectiveness

As an AIM listed Group, and in compliance with updated AIM rules published in March 2018, GAN plc follows and has otherwise adopted the provisions of the Quoted Companies Alliance (QCA) recognised corporate governance code (the Code) during 2018 which may increase the costs in the medium term as new appointments are selectively made to the Board of Directors. The Group reviews its compliance with the Code on a regular basis, including the last substantive review undertaken on September 2018 with the next scheduled review in April 2019. The Board recognises the importance and value of good corporate governance procedures enshrined within the Code and has taken action in 2018 to enhance its compliance position by (a) appointing a new independent director to the Board of Directors in December 2018; and (b) appointment of a dedicated investor relations manager (appointed in an initial consulting role in December 2018). The Group is not in compliance with all aspects of the Code due to the size and relative stage of development of the business, but remains committed to developing its compliance position over time as the business grows and matures. The Group is not yet in compliance with the Code principle 7. This will be addressed at the next review of the Code in early 2019.

### The Board

The Board comprised six Directors as at the end of 2018 including two executive directors and four Non-Executive Directors, including the Chairman. Both executive directors are full-time and the time commitment provided by each non-executive director is equivalent to two days per month, subject to any such additional time as may be required from time to time in order to fulfil the duties of the role. The Board meets at least eight (8) times per year and at least twice together in person. In 2018 all Board meetings were attended by all Directors and all committee meetings were attended by all committee members. One Non-Executive Director, Mr David Goldberg, was appointed to the Board on December 2018, is deemed to be independent. The Board meets regularly to consider strategy, performance and the framework of internal controls. The Board and the broader Company cultures are aligned with the values of honesty, hard work and the 'can do' attitude towards our clients which is promulgated by the executive directors. The CEO and Chairman regularly consult on issues of corporate governance and review the aspects of the Code which the Group does not yet comply with in order to identity a path to compliance within the context of the Company's relative size and financial capabilities.

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 to contribute to the development and implementation of our strategy. In particular, the Board comprises a group of Directors with diverse backgrounds within technology 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. Following the repeal of Federal legislation banning sports betting in the US, the Board determined to bring additional relevant skills and experience to the Group, which culminated in the appointment of Mr David Goldberg on December 2018 who brings over 25 years of experience and relevant skills together with the specialist knowledge and experience of US sports betting and US sports-related Internet-enabled industries.

The Directors have an audit committee, a remuneration committee and a nomination committee each with formally delegated roles and responsibilities. Each of the committees currently comprises three Non-Executive Directors and meets at least once each year. Directors' performances are currently informally evaluated at the end of each calendar year by the Chairman with input from the executive directors. This is not in compliance with point 7 of the Code and a formal structured performance review to determine the effectiveness of the Board is scheduled for discussion in early 2019.

### Committees

The audit committee is responsible for ensuring that the financial performance of the Group is properly reported on and monitored, and for meeting with the auditors and reviewing the reports from the auditors relating to accounts and internal control systems. It meets at least twice per year with the auditors. The audit committee comprises of Roger Kendrick, Seamus McGill, David Goldberg and Michael Smurfit Jr.
Effective March 2019, David Goldberg will be the new audit committee chair replacing Roger Kendrick. David 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, Michael Smurfit Jr. and David Goldberg 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. The nomination committee comprises Michael Smurfit Jr., Seamus McGill, Roger Kendrick and David Goldberg 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. At each in-person Board meeting the executive directors provide written reports which include the identification of risks associated with the financial and/or operational performance of the business, by business unit. The Bribery Act 2010, which came into force in the UK on 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.

# CORPORATE GOVERNANCE STATEMENT CONTINUED

## Compliance with QCA Governance Code

Following the recent consultation by the London Stock Exchange, new AIM Rules were published in March 2018. One of the key amendments is in respect of AIM Rule 26 (as set out in AIM Notice 50), which now requires AIM companies to state on their website which recognised corporate governance code they apply and how they have applied that code.

The Board of Directors of GAN plc is committed, where practicable, to developing and applying high standards of corporate governance appropriate to the Company's size and stage of development. The Board of Directors seeks to apply where appropriate the Quoted Companies Alliance (QCA) Code, revised in April 2018, based on the 'comply or explain' principle.

The QCA is the independent membership organisation that champions the interests of small to mid-size quoted companies. The QCA Code takes key elements of good governance and applies them in a manner which is workable for the different needs of growing companies.

The QCA Code is constructed around ten broad principles (accompanied by an explanation of what these principles entail, under 'application') and a set of disclosures. The Code states what is considered to be appropriate arrangements for growing companies, and asks companies to provide an explanation about how they are meeting the principles through the prescribed disclosures.

The following sets out the principles and the application recommended by the QCA Code. It then sets out how GAN complies with these requirements and departures from the code, and provides annual report cross references to appropriate disclosures. These are based upon the recommended disclosures provided in the QCA Code.

## QCA PRINCIPLE – DELIVER GROWTH

### 1. Establish a strategy and business model which promote long-term value for shareholders

#### APPLICATION

The Board must be able to express a shared view of the company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the company from unnecessary risk and securing its long-term future.

#### HOW GAN COMPLIES

The Board of Directors has a clear vision for GAN for the medium to long term that it regularly sets out in communications with stakeholders. The Board of Directors meets on a regular basis to discuss the strategic direction of the Company, and progress against its aims. GAN provides detailed disclosure on the Company's business model and strategy in the Annual Report. Strategic objectives and risks are disclosed for the upcoming year.

GAN provides an enterprise software platform that allows casino operators to take the brick and mortar casino floor experience and provides the same experience online via the Internet for both casino gaming and sports, allowing them to engage and monetise their patron database when they are off property. GAN also provides support services for casinos where desired by the casino. This includes marketing services, customer service, and development. The US market, which represents a population of over 320m people, is our biggest growth market, as only a small fraction of the total US states have regulated to date. Additional details are provided on pages 2 to 5 of the 2018 Annual Report.

## QCA PRINCIPLE

### 2. Seek to understand and meet shareholder needs and expectations

#### APPLICATION

The Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base. The Board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.

#### HOW GAN COMPLIES

GAN has a Board of Directors with experience in understanding the needs and expectations of its shareholder base. It supplements this Board with professional advisors including our NOMAD (Davy), Joint Brokers and Auditors, who provide advice and recommendations in various areas of its communications with shareholders.

GAN engages with shareholders in the following ways:

- The CEO and CFO meet with shareholders throughout the year and provide feedback to the Board.
- The Company website has been designed as a hub to provide information to shareholders and communicate with them. The website is regularly reviewed to ensure the information is up to date and relevant. The website contains copies of all Company communications and public documents.
- The Company provides regular updates to the market via the Regulatory News Service.
- The Company's Annual Report provides required information with regard to historical performance, strategy and objectives of the Company. The Annual General Meeting is held to which all shareholders are invited and may engage with the Board of Directors.
- Contact details for the Company are provided on the Company website along with public documents.
- Effective March 2019, GAN now has a dedicated investor relations professional who is responsible for interacting and providing timely communications with our investor base.

## QCA PRINCIPLE
### 3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

**APPLICATION**

Long-term success relies upon good relations with a range of different stakeholder groups, both internal (workforce) and external (suppliers, customers, regulators and others). The Board needs to identify the company's stakeholders and understand their needs, interests and expectations. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.

**HOW GAN COMPLIES**

Key resources and relationships on which the business relies are its customers, employees, suppliers, shareholders, and elements of regulatory framework.

- Employees are encouraged to raise any concerns they may have with relevant management or the human resources department.
- The mechanisms for feedback from shareholders have been considered under point (2) above.
- Feedback from customers is at present informal although the Client Services group are responsible for understanding, managing and resolving customer issues.
- We have placed our responsible gaming policies and tools at the core of our vision to provide industry-leading entertainment in a socially responsible manner.
- Feedback from regulators is provided via the regular framework of reporting and inspections that are carried out.

## QCA PRINCIPLE
### 4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

**APPLICATION**

The Board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy. Companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer. Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).

**HOW GAN COMPLIES**

GAN recognises that risk is inherent in all of its business activities. Its risks can have a financial, operational or reputational impact. 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 effectiveness and adequacy of mitigating controls are assessed. If additional controls are required, these will be identified and responsibilities assigned.

The Board is supported by senior management personnel who collectively play a key role in risk management and regularly report to the Board. Risk is primarily monitored by the Board via a Monthly Financial Reporting package that includes detailed components of the Income Statement, Balance Sheet, and Cash Flow. Revenues by business unit, expenses by line item, and cash flow are the primary areas of focus. We also have a compliance and external legal support to ensure that we are in good standing with the local regulators and to ensure that we get in front of any potential legal threats to the Company.

## QCA PRINCIPLE
### 5. Maintain the Board as a well-functioning, balanced team led by the chair

**APPLICATION**

The Board members have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for defining corporate governance arrangements.

The ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the Board. The Board should have an appropriate balance between executive and Non-Executive Directors and should have at least two independent Non-Executive Directors. The Board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.

**HOW GAN COMPLIES**

The Board has five Directors, three of whom are Non-Executive. The Board considers that all Non-Executive Directors bring an independent judgement to bear notwithstanding the varying lengths of service.

The Board is responsible for the management of the business of the Company, setting its strategic direction and establishing appropriate policies. It is the Directors' responsibility to oversee the financial position of the Company and monitor its business and affairs, on behalf of the shareholders, to whom they are accountable. The primary duty of the Board is to act in the best interests of the Company at all times. The Board also addresses issues relating to internal controls and risk management. The Non-Executive Directors bring a wide range of skills and experience to the Company, as well as judgment on strategy, risk and performance. The profiles of each of the Board members can be seen on pages 22 and 23 of the 2018 Annual Report.

# CORPORATE GOVERNANCE STATEMENT CONTINUED

The Board of Directors meet at least eight times per year as a full Board. The Board has appointed a number of subcommittees to assist in its activities.

The Remuneration Committee consists of Seamus McGill (Committee Chairman), Roger Kendrick, Michael Smurfit Jr., and David Goldberg. It is responsible for reviewing the performance of the senior executives and for determining their levels of remuneration.

The Nomination Committee meets as required to consider the composition of and succession planning for the Board, and to lead the process of appointments to the Board. The Committee Chairman is Michael Smurfit Jr. The other members of the Committee are Seamus McGill, Roger Kendrick, and David Goldberg.

The Audit Committee consists of four Non-Executive Directors: Seamus McGill, Michael Smurfit Jr., Roger Kendrick and David Goldberg (Committee Chairman effective March 2019). Dermot Smurfit attends the committee meetings by invitation. The Audit Committee meets at least once a year to consider the annual financial statements and the audit plan. The Audit Committee is responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported upon, reviewing accounting policies and for meeting the auditors and reviewing their reports relating to the financial statements and internal control systems.

### DEPARTURES AND REASONS

The current Non-Executive Directors cannot be considered independent under independence definitions. The Board feels that this is appropriate given the size and stage of development of the Company.

## QCA PRINCIPLE

## 6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

### APPLICATION

The Board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The Board should understand and challenge its own diversity, including gender balance, as part of its composition. The Board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a Board. As companies evolve, the mix of skills and experience required on the Board will change, and Board composition will need to evolve to reflect this change.

### HOW GAN COMPLIES

The Board of GAN has been assembled to allow each director to contribute the necessary mix of experience, skills and personal qualities to deliver the strategy of the Company for the benefit of the shareholders over the medium to long term. Full details of the Board members and their experience and skills can be found on pages 22 and 23 of the 2018 Annual Report or via the Investor link on GAN plc's website.

Together the Board of Directors provide relevant skills including the skills associated with running a public company, technical skills, country experience and technical and financial qualifications to assist the Company in achieving its stated aims. The Directors keep their skillsets up to date as required through the range of roles they perform and consideration of technical and industry updates. The Board has not sought external advice on any significant matter, apart from advice sought in the normal course of business from our auditors, lawyers and tax compliance advice. No external advisors have been engaged by the Board of Directors, except as noted above.

## QCA PRINCIPLE

## 7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

### APPLICATION

The Board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual Directors. The Board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual Directors or the wider senior management team. It is healthy for membership of the Board to be periodically refreshed. Succession planning is a vital task for Boards. No member of the Board should become indispensable.

### HOW GAN COMPLIES

GAN has yet to carry out a formal assessment of Board effectiveness, given its stage of development as an entity. The Board is considering how this first assessment will be carried out.

### DEPARTURES AND REASONS

GAN has yet to carry out a formal assessment of Board effectiveness. The Board will keep this under consideration and put in place procedures beginning in 2019.

## QCA PRINCIPLE

### 8. Promote a corporate culture that is based on ethical values and behaviours

**APPLICATION**

The Board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage. The policy set by the Board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company. The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company. The corporate culture should be recognisable throughout the disclosures in the annual report, website and any other statements issued by the company.

**HOW GAN COMPLIES**

The Corporate Social Responsibility section of the Strategic Report on page 16 of the 2018 Annual Report details the ethical values of GAN including responsible gaming, environmental, social and community and internal and external relationships.
The Company maintains an internal Employee Handbook that is shared with all employees and encompasses the conduct associated with the objectives and strategy of the Company.

## QCA PRINCIPLE

### 9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

**APPLICATION**

The company should maintain governance structures and processes in line with its corporate culture and appropriate to its:

- size and complexity; and
- capacity, appetite and tolerance for risk.

The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company.

**HOW GAN COMPLIES**

Our Corporate Governance Statement on page 17 to 21 of the 2018 Annual Report details the Company's governance structures and why they are appropriate and suitable for the Company.

## QCA PRINCIPLE – BUILD TRUST

### 10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

**APPLICATION**

A healthy dialogue should exist between the Board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company. In particular, appropriate communication and reporting structures should exist between the Board and all constituent parts of its shareholder base. This will assist:

- the communication of shareholders' views to the Board; and
- the shareholders' understanding of the unique circumstances and constraints faced by the company.

It should be clear where these communication practices are described (annual report or website).

**HOW GAN COMPLIES**

Historical annual reports, other governance-related material and notices of all general meetings over the last five years can be found on the website. There have been no votes where a significant proportion of votes (e.g. 20% of independent votes) have been cast against a resolution at any general meeting. The Company proactively publishes details of any events deemed material to shareholders through the Company's website and the Regulatory News Service.

**DEPARTURES AND REASONS**

A report of the audit committee and remuneration committee have not been produced and the Committees will publish this when practical.

# 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.

### Richard Santiago
**Chief Financial Officer**

Richard joined the Board of GAN in June 2018. He brings substantial operational and strategic financial expertise to GAN derived from a wide range of public and private US-based Internet companies including Activision Blizzard, Riot Games and EatStreet. Richard holds a Bachelor of Science in Business Administration from the University of California at Berkeley.

### 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. Effective March 2019, Roger has stepped down from his Board seat.

### David Goldberg
**Non-executive director**

David joined GAN in December 2018. He is an experienced public company and startup CEO, board member and advisor with extensive experience in gaming, entertainment and sports. He currently serves as a senior adviser to TPG, one of the world's largest private equity firms. He was recently a board and audit committee member at Trans World (OTCQB TWOC), which operates casinos in the Czech Republic and was sold in mid-2018, and previously was the CEO of Youbet.com (NASDAQ UBET) which was at the time the United States' largest online wagering company.

# Senior Management

**Giuseppe Gardali**

**Commercial Operations Director**

Giuseppe joined GAN in August 2008 while writing 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. He was most recently promoted to be the Managing Director of the UK Office.

**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.

**Jeff Berman**

**Chief Commercial Officer**

Jeff rejoined GAN in February 2018 as CCO after previously serving as Managing Director, North America from 2009 thru 2012. He has also served on the executive teams as VP of Business Development for both Ticketmaster and StubHub. He has spent several years in the business development groups at Sentient Technologies, CBS Sportsline, Zepp Technologies and represented professional athletes for David Falk Associates. Additionally, he founded a stock market-oriented software company, which he sold to CBS MarketWatch in 2003. Jeff graduated with his BA from Duke University and his MBA from Georgetown University.

# DIRECTORS' REPORT

The Directors submit their report and the financial statements of GAN plc for the year ended 31 December 2018.

## Principal activities

The activity of the Group divides into two principal areas, namely:

- the provision and development of real money gaming software and the supply of Internet gaming systems and services 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 2018 show total net revenue of £10.6m (2017: £9.1m) and a net loss after tax of £6.1m (2017: loss of £3.5m).

The Board does not recommend the payment of a dividend for 2018 (2017: £nil).

The Group's consolidated financial statements are set out on pages 30 to 36. For a more detailed review of the Group's results see the Financial and Operational Summary in the Strategic Report section.

Please refer to notes 10 to 16 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 12 June 2019. Notice of this meeting will be sent under separate cover.

## Directors

The following Directors have held office during the year:

Dermot Smurfit
Michael Smurfit Jr.
Roger Kendrick (resigned 19 March 2019)
Seamus McGill
Richard Santiago (appointed 18 June 2018)
David Goldberg (appointed 11 December 2018)

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 | 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 Jr. | 100,000 | 24.08.2017 | 20.5p | 24.08.2018 | 24.08.2027 |
| Richard Santiago | 849,888 | 18.06.2018 | 50.0p | 18.06.2019 | 18.06.2028 |
| David Goldberg | 200,000 | 11.12.2018 | 46p | 11.12.2019 | 11.12.2028 |
| Michael Smurfit Jr. | 200,000 | 11.12.2018 | 43.5p | 11.12.2019 | 11.12.2028 |
| Dermot Smurfit | 200,000 | 11.12.2018 | 43.5p | 11.12.2019 | 11.12.2028 |
| Seamus McGill | 200,000 | 11.12.2018 | 43.5p | 11.12.2019 | 11.12.2028 |
| Richard Santiago | 200,000 | 11.12.2018 | 43.5p | 11.12.2019 | 11.12.2028 |

## Significant shareholdings

As of 31 December 2018 the Company had been advised of the following significant shareholders:

| Shareholders | No. of ordinary shares | % |
|---|---|---|
| Sir Michael Smurfit Sr. | 10,865,554 | 12.75 |
| Mr Dermot Stopford Smurfit | 8,863,447 | 10.4 |
| Mr Andrew Black | 5,480,860 | 6.4 |
| Ravenswood Management Company | 5,000,000 | 5.9 |
| Mr Anthony Smurfit | 4,013,840 | 4.7 |
| Mr Dermot F Desmond | 3,795,288 | 4.5 |
| Pershing Securities | 3,746,800 | 4.4 |
| David Capital Partners | 3,450,000 | 4.1 |
| Deans Knight Capital Management | 3,366,000 | 4.0 |
| Wells Fargo Securities | 3,007,351 | 3.5 |
| UBS Group AG | 2,921,950 | 3.4 |

## 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 Statement, Chief Executive Officer's Statement and Strategic Report. 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 auditor will be submitted to the Board at the Annual General Meeting.

On behalf of the Board

**DERMOT SMURFIT**
CHIEF EXECUTIVE OFFICER

29 March 2019

# 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 2018 which comprise Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and 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 2018 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.

### 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 (included in note 4)
#### Key audit matter
The group has a number of revenue streams. The details of the accounting policies applied during the period are given in notes 1, 2 and 3 to the financial statements, including the impact of adoption of IFRS 15 (Revenue from contracts with customers).

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 and that it is inappropriately recognised on a gross versus net basis.

Following the disposal of its B2C gaming business, the Group entered into agreements for the provision of services with the purchaser in the year. The accounting for these agreements required judgement over the substance of the agreements and revenue recognition.

#### Our response
We assessed whether the revenue recognition policies adopted by the Group comply with IFRSs and Industry standard. We obtained and critically challenged management's impact analysis from the adoption of IFRS 15 in the year.

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.

We considered management's proposed accounting for the revenue agreement entered into in the year with the purchaser of the Group's B2C business and challenged the appropriateness of the basis chosen to confirm that the resulting accounting was in line with IFRSs and the Group's accounting policy.

### Capitalisation of development costs and other intangibles (included in notes 3 and 10)
#### Key audit matter
The Group has material expenditure on the internal development. In accordance with the Group's accounting policy in note 2, such expenditure should only be capitalised when it qualifies under the specified criteria of IAS 38 (Intangible Assets). 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

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

#### Our response
We assessed whether the capitalisation policies adopted by the Group comply with IFRSs and Industry standard.

We tested a sample of costs capitalised in the year to confirm they met the criteria of IAS 38, including agreement of the cost to source, including payroll records, and project analysis.

### Impairment of capitalised development costs and other intangibles (included in notes 2, 3 and 11)
#### Key audit matter
In accordance with IAS 36 (Impairment of Assets), 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 inherently based on assumptions in respect of future profitability.

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

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

### Our response

We considered management's assessment as to whether there were any indications of impairment in respect of intangible assets.

We 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 disclosure provided in the Group financial statements.

## 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 £135k (2017: £127k) being 1.3% (2017: 1.4%) of Net Revenue.

Materiality in respect of the audit of the Parent Company was set at £128k (2017: £121k) using a benchmark of 1.3% of Net Revenue, limited to 95% of Group materiality (2017: 1.4% 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 70% 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. The significant component was at 60% of materiality, and non-significant components 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 £5k (2017: £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.

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.

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.

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. The Group has five components, being the Parent Company and the non-dormant subsidiaries included in note 19. We considered the significance of each component based on its financial significance. We identified the Parent Company and GameAccount Nevada Inc. to be significant components which are subject to full audit. The other non significant entities were subject to focussed testing, principally on payroll costs, and a desktop review.

## 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 26, 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

### 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.

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

London, UK

29 March 2019

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 2018

| | Notes | Year ended 31 December 2018 £'000 | Year ended 31 December 2017 £'000 |
|---|---|---|---|
| CONTINUING OPERATIONS | | | |
| Gross income from gaming operations and services* | 2.3 | **49,203** | 41,075 |
| NET REVENUES | 4 | **10,569** | 9,120 |
| Distribution costs | | **(9,650)** | (7,996) |
| Administrative expenses | | **(7,289)** | (5,526) |
| Profit on sale of intangible assets | | **–** | 303 |
| Total operating costs | | **16,939** | 13,219 |
| Clean EBITDA** | | **(1,453)** | 454 |
| Depreciation | 11 | **(805)** | (379) |
| Amortisation of intangible assets | 10 | **(3,840)** | (3,851) |
| Impairment of intangible assets | 10 | **–** | (168) |
| Exceptional costs | 6 | **–** | (341) |
| Profit on sale of intangible assets | 10 | **–** | 303 |
| Employee share based payment charge | 6,7 | **(272)** | (117) |
| OPERATING (LOSS) | 6 | **(6,370)** | (4,099) |
| Net finance costs | 8 | **(324)** | (117) |
| LOSS BEFORE TAXATION | | **(6,694)** | (4,216) |
| Tax credit | 9 | **666** | 738 |
| LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | **(6,028)** | (3,478) |
| EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT DURING THE YEAR | | | |
| Basic (pence) | 18 | **(7.67)** | (4.96) |
| Diluted (pence) | 18 | **(7.67)** | (4.96) |

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

**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.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## for the year ended 31 December 2018

| | Notes | At 31 December 2018 £'000 | At 31 December 2017 £'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Intangible assets | 10 | **5,383** | 5,871 |
| Property, plant and equipment and right of use assets | 11 | **1,184** | 374 |
| Lease deposits | 12 | **173** | – |
| | | **6,740** | 6,245 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 12 | **3,907** | 2,874 |
| Goods in transit | | **528** | – |
| Research and development tax credit receivable | 9 | **842** | 795 |
| Lease deposits | 12 | **42** | 192 |
| Cash and cash equivalents | 13 | **5,549** | 2,746 |
| | | **10,868** | 6,607 |
| TOTAL ASSETS | | **17,608** | 12,852 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 14 | **7,531** | 3,061 |
| | | **7,531** | 3,061 |
| NON-CURRENT LIABILITIES | | | |
| Loan notes | 14 | **–** | 2,001 |
| Lease liabilities | 14 | **713** | 211 |
| | | **713** | 2,212 |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT | | | |
| Share capital | 16 | **853** | 701 |
| Share premium account | | **26,198** | 18,809 |
| Retained deficit | | **(17,687)** | (11,931) |
| | | **9,364** | 7,579 |
| TOTAL EQUITY AND LIABILITIES | | **17,608** | 12,852 |

The financial statements on pages 30 to 60 were approved and authorised for issue by the Board of Directors on 29 March 2019 and were signed on its behalf by:

**DERMOT SMURFIT**
CHIEF EXECUTIVE OFFICER

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## for the year ended 31 December 2018

| | Share capital £'000 | Share premium £'000 | Retained (deficit)/ earnings £'000 | Total equity £'000 |
|---|---|---|---|---|
| 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 |
| Loss and total comprehensive income for the year | – | – | (6,028) | (6,028) |
| Issue of equity share capital | 152 | 7,389 | – | 7,541 |
| Employee share based payment charge | – | – | 272 | 272 |
| AT 31 DECEMBER 2018 | **853** | **26,198** | **(17,687)** | **9,364** |

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 2018

| | Notes | Year ended 31 December 2018 £'000 | Year ended 31 December 2017 £'000 |
|---|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Loss for the year after taxation | | **(6,028)** | (3,478) |
| Adjustments for: | | | |
| Amortisation of intangible assets | 10 | **3,840** | 3,851 |
| Impairment of intangible assets | 10 | **–** | 168 |
| Depreciation of property, plant and equipment | 11 | **805** | 379 |
| Profit on disposal of intangible fixed asset | 10 | **–** | (303) |
| Share based payment expense | 17 | **272** | 117 |
| Tax credit | 9 | **(666)** | (738) |
| Net finance costs | 8 | **324** | 117 |
| Foreign exchange | | **–** | 87 |
| OPERATING CASH FLOW BEFORE MOVEMENT IN WORKING CAPITAL AND TAXATION | | **(1,453)** | 200 |
| Decrease/(Increase) in trade and other receivables | | **(1,056)** | (62) |
| Increase/(Decrease) in trade and other payables | | **4,108** | (277) |
| Decrease/(Increase) in goods in transit | | **(528)** | – |
| Taxation | | **619** | 1,004 |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | | **1,690** | 865 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Interest received | 8 | **6** | 5 |
| Sale of intangible fixed assets | | **–** | 303 |
| Purchase of intangible assets | 10 | **(3,353)** | (3,457) |
| Purchases of property, plant and equipment | 11 | **(60)** | (63) |
| NET CASH USED IN INVESTING ACTIVITIES | | **(3,407)** | (3,212) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Proceeds on issue of shares | 16 | **7,541** | – |
| Interest paid on convertible loan notes | | **(205)** | – |
| Penalty interest paid on convertible loan notes | | **(180)** | – |
| Capital element of lease payments | | **(689)** | – |
| Interest paid on lease liabilities | | **(49)** | – |
| Issue/(Repayment) of convertible loan notes | 14 | **(2,001)** | 2,001 |
| NET CASH GENERATED FROM FINANCING ACTIVITIES | | **4,417** | 2,001 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | **2,700** | (346) |
| Cash and cash equivalents at beginning of year | 13 | **2,746** | 3,179 |
| Effect of foreign exchange rate changes | | **103** | (87) |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 13 | **5,549** | 2,746 |

# COMPANY STATEMENT OF FINANCIAL POSITION

## for the year ended 31 December 2018

| | Notes | At 31 December 2018 £'000 | At 31 December 2017 £'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Intangible assets | 10 | **5,383** | 5,872 |
| Property, plant and equipment and right of use assets | 11 | **467** | 149 |
| Lease deposits | 12 | **88** | – |
| | | **5,936** | 6,021 |
| CURRENT ASSETS | | | |
| Trade and other receivables | 12 | **5,850** | 3,345 |
| Goods in transit | | **528** | – |
| Research and development tax credit receivable | 9 | **842** | 795 |
| Lease deposits | 12 | **42** | 170 |
| Cash and cash equivalents | 13 | **3,273** | 1,408 |
| | | **10,535** | 5,718 |
| TOTAL ASSETS | | **16,471** | 11,739 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 14 | **6,381** | 2,933 |
| | | **6,381** | 2,933 |
| NON-CURRENT LIABILITIES | | | |
| Loan notes | 14 | **–** | 2,001 |
| Lease liabilities | 14 | **299** | 211 |
| | | **299** | 2,212 |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT | | | |
| Share capital | 16 | **853** | 701 |
| Share premium account | | **26,198** | 18,809 |
| Retained deficit | | **(17,260)** | (12,916) |
| | | **9,791** | 6,594 |
| TOTAL EQUITY AND LIABILITIES | | **16,471** | 11,739 |

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 £4,615,609 (2017: loss of £4,804,951), which is dealt with in the financial statements of the parent Company.

The financial statements on pages 30 to 60 were approved and authorised for issue by the Board of Directors on 29 March 2019 and were signed on its behalf by:

**DERMOT SMURFIT**
CHIEF EXECUTIVE OFFICER

# COMPANY STATEMENT OF CHANGES IN EQUITY
## for the year ended 31 December 2018

| | Share capital £'000 | Share premium £'000 | Retained (deficit)/ earnings £'000 | Total equity £'000 |
|---|---|---|---|---|
| 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 |
| Loss and total comprehensive income for the year | – | – | (4,616) | (4,616) |
| Issue of equity share capital | 152 | 7,389 | – | 7,541 |
| Employee share based payment charge | | | 272 | 272 |
| AT 31 DECEMBER 2018 | 853 | 26,198 | (17,260) | 9,791 |

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 2018

| | Notes | Year ended 31 December 2018 £'000 | Year ended 31 December 2017 £'000 |
|---|---|---|---|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| (Loss) for the year after taxation | | **(4,616)** | (4,805) |
| Adjustments for: | | | |
| Amortisation of intangible assets | 10 | **3,897** | 3,896 |
| Impairment of intangible assets | 10 | **–** | 168 |
| Depreciation of property, plant and equipment | 11 | **610** | 369 |
| Profit on disposal of intangible fixed asset | 10 | **–** | (303) |
| Share based payment expense | 17 | **272** | 117 |
| Tax credit | 9 | **(718)** | (795) |
| Net finance costs | 8 | **300** | (5) |
| Foreign exchange | | **–** | 68 |
| OPERATING CASH FLOW BEFORE MOVEMENT IN WORKING CAPITAL AND TAXATION | | **(255)** | (1,290) |
| Decrease/(Increase) in trade and other receivables | | **(2,464)** | 128 |
| Increase/(Decrease) in trade and other payables | | **3,201** | 164 |
| Decrease/(Increase) in goods in transit | | **(528)** | – |
| Taxation | | **671** | 1,061 |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | | **625** | 63 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Interest received | | **6** | 5 |
| Sale of intangible fixed assets | | **–** | 303 |
| Purchase of intangible assets | 10 | **(3,299)** | (3,511) |
| Purchases of property, plant and equipment | 11 | **(35)** | (107) |
| NET CASH USED IN INVESTING ACTIVITIES | | **(3,328)** | (3,310) |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Proceeds on issue of shares | 16 | **7,541** | – |
| Interest paid on convertible loan notes | | **(205)** | – |
| Penalty interest paid on convertible loan notes | | **(180)** | – |
| Capital element of lease repayments | | **(558)** | – |
| Interest paid on lease liabilities | | **(25)** | – |
| Issue/(Repayment) of convertible loan notes | 14 | **(2,001)** | 2,001 |
| NET CASH GENERATED FROM FINANCING ACTIVITIES | | **4,572** | 2,001 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | **1,869** | (1,246) |
| Cash and cash equivalents at beginning of year | 13 | **1,408** | 2,818 |
| Effect of foreign exchange rate changes | | **(4)** | (164) |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 13 | **3,273** | 1,408 |

# NOTES TO THE FINANCIAL STATEMENTS

## for the year ended 31 December 2018

### 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 2018, including IFRS 9, IFRS 15 and IFRS 16 as detailed below.

**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 that the control of goods or services is transferred.

**IFRS 9 'Financial Instruments'** – adopting IFRS 9 impacts 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 £3,126k at 31 December 2018. The new model has impacted the timing and value of provision recognition, leading to an increase in provisioning of £25k.

**IFRS 16 'Leases'** – was issued on 13 January 2016 and is effective for periods beginning on or after 1 January 2019. The group has elected to adopt this standard for the 2018 results. 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. Under IFRS 16, lease agreements give rise to both a right-of-use asset and a lease liability for future lease payments. Depreciation of the right-of-use asset is recognised in the income statement on a straight-line basis, with interest recognised on the lease liability. This results in a change to the profile of the net charge taken to the income statement over the life of the lease. These charges replace the lease costs previously charged to the income statement.

### Transition rules for newly adopted standards

**IFRS 15 'Revenue from Contracts with Customers'** – The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

Due to the nature of the revenue of the Group and the low number of fixed revenue contracts in existence, the transition to IFRS 15, net of tax, on retained earnings as at 1 January 2018 is not material. Hence, the impacts of adopting IFRS 15 on the Group's statement of financial position as at 31 December 2018 and its statement of comprehensive income for the year then ended is also not material. IFRS 15 did not have a significant impact on the Group's accounting policies with respect to other revenue streams.

For the description of the principal revenue streams and their respective accounting treatments, refer below. For more detailed information about reportable segments, see Notes 4 and 5.

**IFRS 16 'Leases' –** The group has taken the modified retrospective approach. The Group has elected the following expedients:

- not separating non-lease components from lease components and instead accounting for all the lease components and related non-lease components as a single lease component;
- relying on a previous assessment of whether a contract is onerous in accordance with IAS 37 at the transition date, as an alternative to assessing impairment of right-of-use assets;
- relying on a previous assessment of whether an arrangement contains a lease in accordance with current guidance with respect to agreements that exist at the date of initial application;
- excluding initial direct costs from measurement of the asset at the transition date;
- using hindsight when determining the lease term, meaning data presently available that may not have been available at the original date of entering into the agreement.

### Effects of changes in accounting policies

The Group adopted IFRS 9, IFRS 15 and IFRS 16 with a transition date of 1 January 2018. There were no material impacts on the financial information of the comparative periods from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15. The impact of the adoption of IFRS 16 is material to the Group. The Group has elected not to restate comparative financial information on adoption of IFRS 16 and, therefore, are not reflected in the restated prior year financial statements. Rather, these changes have been processed at the date of initial application (1 January 2018) and recognised in the opening equity balances. The following table shows the adjustments recognised for each line item of the financial statements affected.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2018

## 1. Basis of preparation continued

| | As previously stated at 31 December 2017 £'000 | IFRS 16 adoption £'000 | As restated 1 January 2018 £'000 |
|---|---|---|---|
| Property, plant and equipment and right of use assets | 374 | 569 | 943 |
| Trade and other payables (current) | (3,061) | (535) | (3,596) |
| Other payables (non-current) | (211) | (34) | (245) |
| TOTAL | **(2,898)** | **–** | **(2,898)** |

**Adoption of IFRS 16 has increased the loss after taxation in 2018 by £277,797. The financial statement areas affected are shown below:**

| | Prior to adoption of IFRS 16 £'000 | IFRS 16 adoption £'000 | 2018 £'000 |
|---|---|---|---|
| Administrative expenses | 7,597 | (308) | 7,289 |
| Depreciation | 215 | 590 | 805 |
| Amortisation | 3,893 | (53) | 3,840 |
| Net finance costs | 275 | 49 | 324 |
| TOTAL | **11,980** | **278** | **12,258** |

## 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 the 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 Group 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.

## 2. Summary of significant accounting policies continued

(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 P&L 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.

### 2.2 Revenue recognition

Net revenues comprise amounts earned from 'business to business' (B2B) and 'business to consumer' (B2C) 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. In line with IFRS 15, revenues are recognised as either services recognised on delivery or services recognised in line with usage.

**(a) 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 and sports betting 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. Marketing services are recognised in line with delivery of service.

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 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 at the point 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 the requirements under that specific contract have been met.

Simulated Gaming™

Net revenue in respect of Simulated Gaming™ is recognised upon completion of purchase by the customer. 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.

**(b) B2C**

Net revenue from 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.

### 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. Distribution costs also includes the share of losses on the operation of the casino.winstar.com website.

### 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 2018

## 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 | 5 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 that 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.

**Financial assets held at amortised cost**

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated 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.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly,

## 2. Summary of significant accounting policies continued

lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

**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 substantively.

### 2.11 Leases
All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a term of 12 months or less

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 2. Summary of significant accounting policies continued

Subsequent to initial measurement, lease liabilities increase as a result of interest charged on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

### 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.

## 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. Financial risk management continued

### 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:

| JUDGEMENTS | Note |
|---|---|
| Revenue recognition | 4 |
| Capitalisation and impairment of internally generated intangible assets | 10 |
| Taxation | 9 |

**Revenue recognition**

The Group applies judgement in determining whether it acts as principal or agent where it provides services through its B2B operations. In making these judgements, the Group gives consideration to the contractual terms of each arrangement and consequently which party has the primary responsibility for providing the services and is exposed to the majority of the risks and rewards associated with providing the services. Game development and the sale of platform software and hardware 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.

**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. The Group operates in a number of international tax jurisdictions. Judgement is required in respect of the interpretation of tax law and practices, in particular, as e-commerce and international tax continue to evolve. The Group files its tax returns and duty calculations and estimates its tax provisions based on current tax rules and practices and its transfer pricing policy, together with advice received from professional advisors and believes that its accruals for tax liabilities are adequate.

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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
## for the year ended 31 December 2018

### 4. Net revenue

| | Year ended 31 December 2018 £'000 | Year ended 31 December 2017 £'000 |
|---|---|---|
| RMG | | |
| – Game website and platform development | 1,321 | 1,300 |
| – Revenue share and other revenue | 4,933 | 3,714 |
| SIMGAM | | |
| – Game website and platform development | 147 | 311 |
| – Revenue share and other revenue | 4,168 | 3,795 |
| Total | 10,569 | 9,120 |

| | Year ended 31 December 2018 £'000 | Year ended 31 December 2017 £'000 |
|---|---|---|
| – Services recognised on delivery | 1,469 | 1,611 |
| – Services recognised in line with usage | 9,100 | 7,509 |
| Total | 10,569 | 9,120 |

The vast majority of the Group's contracts are for the delivery of services on a monthly basis for which the future variable revenues cannot be estimated due to the nature of the transaction price being contingent on future customer usage (B2C) or performance (B2B).

### 5. Segmental information

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

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

#### Segment revenues and results

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

| Year ended 31 December 2018 | RMG £'000 | SIMGAM £'000 | Total £'000 |
|---|---|---|---|
| Net revenue | 6,254 | 4,315 | 10,569 |
| Distribution costs (excluding depreciation and amortisation) | (3,885) | (1,120) | (5,005) |
| Segment result | 2,369 | 3,195 | 5,564 |
| Administration expenses | | | (7,289) |
| Depreciation on property, plant and equipment | | | (805) |
| Amortisation of intangible assets | | | (3,840) |
| Impairment of intangible assets | | | – |
| Net finance cost | | | (324) |
| Loss before taxation | | | (6,694) |
| Tax credit | | | 666 |
| Loss for the year after taxation | | | (6,028) |

## 5. Segmental information continued

| 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) |

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 2018 £'000 | Year ended 31 December 2017 £'000 |
|---|---|---|
| UK and Channel Islands | 74 | 1,047 |
| Italy | 3,935 | 2,825 |
| USA | 6,520 | 5,174 |
| Rest of World | 40 | 74 |
| | 10,569 | 9,120 |

**Information about major customers**
During the year ended 31 December 2018, the Group had one customer which generated revenue greater than 10% of total net revenue. This customer generated revenue of £1,492,413 representing 14% of net revenue, all of which was within the RMG segment.

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.

**Geographic analysis of non current assets**

| | At 31 December 2018 £'000 | At 31 December 2017 £'000 |
|---|---|---|
| UK and Channel Islands | 6,054 | 5,900 |
| USA | 143 | 328 |
| Bulgaria | 535 | 17 |
| Other | 8 | – |
| | 6,740 | 6,245 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2018

## 6. Operating loss

### 6.1 Operating loss has been arrived at after charging:

| | Year ended 31 December 2018 £'000 | Year ended 31 December 2017 £'000 |
|---|---|---|
| Staff costs (note 7) | **4,827** | 3,218 |
| Auditor's remuneration: | | |
| — Fees paid for the audit of Audit of the Group and Parent Company | **73** | 70 |
| — Other Services | **5** | 10 |
| Amortisation of intangibles | **3,840** | 3,851 |
| Depreciation on property, plant and equipment and right of use assets | **805** | 379 |
| Impairment | **–** | 168 |
| Foreign exchange (gains)/losses | **67** | 174 |
| Rent payable under short-term leases | **20** | 341 |
| Employee share based payment charge (note 17) | **272** | 117 |
| Profit on sale of intangible assets | **–** | (303) |

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 £2,908,574 (2017: £3,150,211) as part of capitalised development costs reflected within note 10.

Total wages and salaries related to research and development were £3,544,564 (2017: £3,217,557) of which £2,613,469 (2017: £2,513,450) was capitalised.

### 6.2 Exceptional costs

| | Year ended 31 December 2018 £'000 | Year ended 31 December 2017 £'000 |
|---|---|---|
| Compensation for redundancy | **–** | 320 |
| Costs associated to bond issue | **–** | 14 |
| Other exceptional costs | **–** | 7 |
| | **–** | 341 |

During the year, operational restructuring within the Group generated redundancies totalling £Nil (2017: £320,000).

## 7. Staff costs

| | Year ended 31 December 2018 | Year ended 31 December 2017 |
|---|---|---|
| The average number of employees (including executive directors) employed was: | | |
| Management | **14** | 9 |
| Administration and technical staff | **104** | 87 |
| | **118** | 96 |

| | Year ended 31 December 2018 £'000 | Year ended 31 December 2017 £'000 |
|---|---|---|
| The aggregate remuneration of the above employees comprised (including Directors): | | |
| Wages and salaries | **5,896** | 5,073 |
| Social security costs | **577** | 583 |
| Pension costs | **118** | 138 |
| Employee share based payment charge | **192** | 117 |
| | **6,783** | 5,911 |

Employee remuneration (including Directors) incurred by the parent Company totalled £3,283,228 (2017: £4,016,665) and average number of employees was 54 (2017: 65).

Total staff costs included in capitalised development costs for the year were £2,613,469 (2017: £2,513,450) and are reflected within note 10.

## 7. **Staff costs** continued

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 | Pension contributions £'000 | Share based payments £'000 | **Total 2018 £'000** | Total 2017 £'000 |
|---|---|---|---|---|---|---|
| David Goldberg | **3** | **–** | **–** | **–** | **3** | – |
| David O'Reilly (Resigned) | **–** | **–** | **–** | **–** | **–** | 35 |
| Dermot S. Smurfit | **352** | **112** | **–** | **61** | **525** | 377 |
| Desmond Glass (Resigned) | **–** | **–** | **–** | **–** | **–** | 185 |
| Michael Smurfit Jr. | **30** | **–** | **–** | **4** | **34** | 32 |
| Richard Santiago | **100** | **32** | **1** | **111** | **244** | – |
| Roger Kendrick (Resigned) | **30** | **–** | **–** | **3** | **33** | 32 |
| Seamus McGill | **90** | **–** | **–** | **7** | **97** | 66 |
| | **605** | **144** | **1** | **186** | **936** | 727 |

During the year, 1 director was accruing pension benefits from the Group (2017: 2).

No directors exercised share options during the year (2017: none).

The aggregate remuneration for key management personnel comprised:

| | **Year ended 31 December 2018 £'000** | Year ended 31 December 2017 £'000 |
|---|---|---|
| Wages and salaries | **2,100** | 1,603 |
| Social security costs | **133** | 220 |
| Employee share based payment charge | **256** | 106 |
| | **2,489** | 1,929 |

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

| | **Year ended 31 December 2018 £'000** | Year ended 31 December 2017 £'000 |
|---|---|---|
| The aggregate remuneration comprised: | | |
| Director's remuneration | **464** | 377 |
| | **464** | 377 |

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 2018** | Total 2017 |
|---|---|---|---|---|---|---|
| David Goldberg | – | 200,000 | – | – | **200,000** | – |
| Dermot S. Smurfit | 1,846,000 | 200,000 | – | – | **2,046,000** | 1,846,000 |
| Desmond Glass (Resigned) | 551,000 | – | (551,000) | – | **–** | 551,000 |
| Michael Smurfit Jr. | 100,000 | 200,000 | – | – | **300,000** | 100,000 |
| Richard Santiago | – | 1,049,888 | – | – | **1,049,888** | – |
| Roger Kendrick (Resigned) | 100,000 | – | – | – | **100,000** | 100,000 |
| Seamus McGill | 200,000 | 200,000 | – | – | **400,000** | 200,000 |
| | 2,797,000 | 1,849,888 | (551,000) | – | **4,095,888** | 2,797,000 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2018

## 8. Finance income and expense

| | Year ended 31 December 2018 £'000 | Year ended 31 December 2017 £'000 |
|---|---|---|
| Interest payable | (330) | (122) |
| Interest receivable | 6 | 5 |
| | (324) | (117) |

Interest payable is in respect of amounts accrued on right of use leases in the year, and on the 9% convertible bond up until the date of repayment of 25 June 2018, as set out in note 14.

Interest payable includes £180,133 of early repayment penalties on the 9% convertible loan.

## 9. Taxation

| | Year ended 31 December 2018 £'000 | Year ended 31 December 2017 £'000 |
|---|---|---|
| Current tax credit | (666) | (738) |
| Tax credit on loss on ordinary activities | (666) | (738) |

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

| | Year ended 31 December 2018 £'000 | Year ended 31 December 2017 £'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 | (6,694) | (4,216) |
| (Loss) before taxation multiplied by the average standard rates of corporation tax in the UK of 19% | (1,272) | (810) |
| Effects of: | | |
| Other permanent and similar differences, including expenses not deductible for tax purposes | 91 | 29 |
| Current year tax losses not utilised/recognised | 1,086 | 834 |
| Other timing differences not recognised for deferred tax purpose | 135 | (53) |
| Adjustments in respect of prior periods | (14) | – |
| Foreign tax | 150 | – |
| Research and development tax credit | (842) | (795) |
| Tax credit for year | (666) | (738) |

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

| | At 31 December 2018 £'000 | At 31 December 2017 £'000 |
|---|---|---|
| Corporation tax losses carried forward | 18,732 | 16,408 |

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.

The Group has an unrecognised deferred tax asset as follows:

| | At 31 December 2018 £'000 | At 31 December 2017 £'000 |
|---|---|---|
| Tax losses carried forward | 2,618 | 2,555 |
| Depreciation in excess of capital allowances | 77 | 54 |
| Short-term timing differences | (143) | 9 |
| | 2,552 | 2,618 |

There is no expiry date for use of the carried forward tax losses.

## 10. Intangible assets (Group)

| | Brand assets £'000 | Development costs £'000 | Licence costs £'000 | Total brand assets, development & licence costs £'000 |
|---|---|---|---|---|
| COST | | | | |
| 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 | 16,024 |
| Additions | – | 3,072 | 280 | 3,352 |
| AT 31 DECEMBER 2018 | **298** | **18,188** | **890** | **19,376** |
| ACCUMULATED AMORTISATION | | | | |
| 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 |
| Charge for the year | 83 | 3,631 | 126 | 3,840 |
| AT 31 DECEMBER 2018 | **270** | **13,287** | **436** | **13,993** |
| NET BOOK VALUE | | | | |
| At 31 December 2016 | 156 | 5,896 | 381 | 6,433 |
| At 31 December 2017 | 111 | 5,460 | 300 | 5,871 |
| AT 31 DECEMBER 2018 | **28** | **4,901** | **454** | **5,383** |

Impairment losses of £Nil (2017: £168,000) 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 net book value 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 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 |
| Additions | – | 3,018 | 281 | 3,299 |
| AT 31 DECEMBER 2018 | **298** | **18,134** | **890** | **19,322** |
| ACCUMULATED AMORTISATION | | | | |
| 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 | 187 | 9,656 | 310 | 10,153 |
| Charge for the year | 83 | 3,577 | 126 | 3,786 |
| AT 31 DECEMBER 2018 | **270** | **13,233** | **436** | **13,939** |
| NET BOOK VALUE | | | | |
| At 31 December 2016 | 156 | 5,890 | 380 | 6,426 |
| At 31 December 2017 | 112 | 5,462 | 298 | 5,872 |
| AT 31 DECEMBER 2018 | **28** | **4,901** | **454** | **5,383** |

The Company did not dispose of any intangible assets during the year (2017: 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 2018

### 11. Property, plant and equipment (Group)

| | Fixtures, fittings, equipment and leasehold improvements £'000 | Right of use assets £'000 | Total £'000 |
|---|---|---|---|
| COST | | | |
| At 31 December 2016 | 2,665 | – | 2,665 |
| Additions | 274 | – | 274 |
| Disposal | (9) | – | (9) |
| At 31 December 2017 | 2,930 | – | 2,930 |
| Impact of IFRS 16 adoption | – | 569 | 569 |
| Additions | 60 | 986 | 1,046 |
| Disposal | (407) | (466) | (873) |
| **AT 31 DECEMBER 2018** | **2,583** | **1,089** | **3,672** |
| ACCUMULATED DEPRECIATION | | | |
| At 31 December 2016 | 2,186 | – | 2,186 |
| Charge for the year | 379 | – | 379 |
| Disposal | (9) | – | (9) |
| At 31 December 2017 | 2,556 | – | 2,556 |
| Charge for the year | 215 | 590 | 805 |
| Disposal | (407) | (466) | (873) |
| **AT 31 DECEMBER 2018** | **2,364** | **124** | **2,488** |
| NET BOOK VALUE | | | |
| At 31 December 2016 | 479 | – | 479 |
| At 31 December 2017 | 374 | – | 374 |
| **AT 31 DECEMBER 2018** | **219** | **964** | **1,184** |

## 11. Property, plant and equipment (Company)

| | Fixtures, fittings, equipment and leasehold improvements £'000 | Right of use assets £'000 | Total £'000 |
|---|---|---|---|
| COST | | | |
| At 31 December 2016 | 2,260 | – | 2,260 |
| Additions | 107 | – | 107 |
| Disposal | (9) | – | (9) |
| At 31 December 2017 | 2,358 | – | 2,358 |
| Impact of IFRS 16 adoption | – | 466 | 466 |
| Additions | 35 | 427 | 462 |
| Disposal | (407) | (466) | (873) |
| AT 31 DECEMBER 2018 | **1,986** | **427** | **2,413** |
| ACCUMULATED DEPRECIATION | | | |
| At 31 December 2016 | 1,849 | – | 1,849 |
| Charge for the year | 369 | – | 369 |
| Disposal | (9) | – | (9) |
| At 31 December 2017 | 2,209 | – | 2,209 |
| Charge for the year | 135 | 475 | 610 |
| Disposal | (407) | (466) | (873) |
| AT 31 DECEMBER 2018 | **1,937** | **9** | **1,946** |
| NET BOOK VALUE | | | |
| At 31 December 2016 | 411 | – | 411 |
| At 31 December 2017 | 149 | – | 149 |
| AT 31 DECEMBER 2018 | **49** | **418** | **467** |

## 12. Trade and other receivables

| | **Company At 31 December 2018 £'000** | **Group At 31 December 2018 £'000** | Company At 31 December 2017 £'000 | Group At 31 December 2017 £'000 |
|---|---|---|---|---|
| Trade receivables | **3,124** | **3,126** | 1,800 | 1,800 |
| Other receivables | **114** | **153** | 135 | 264 |
| Receivables from payment service providers | **107** | **107** | 32 | 32 |
| Amounts owed by Group undertakings | **2,024** | **–** | 710 | – |
| Prepayments and accrued income | **481** | **521** | 667 | 809 |
| | **5,850** | **3,907** | 3,345 | 2,874 |

Other receivables include VAT recoverable.

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

| | **Company At 31 December 2018 £'000** | **Group At 31 December 2018 £'000** | Company At 31 December 2017 £'000 | Group At 31 December 2017 £'000 |
|---|---|---|---|---|
| Between one and two months | **781** | **781** | 241 | 241 |
| Between two and three months | **384** | **384** | 160 | 160 |
| More than three months | **444** | **444** | 496 | 496 |
| | **1,609** | **1,609** | 897 | 897 |

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2018

## 12. Trade and other receivables continued

The Group recognised a charge in respect of doubtful receivables in each of the years ended 31 December 2018 and 31 December 2017 of £76,552 and £29,750 respectively, representing an increase of £46,802. The 2018 charge includes an allowance for doubtful receivables of £25,000 due to adoption of IFRS 9 criteria for assessing the recovery of financial assets. A provision of £15,120 has been recognised under IFRS 9 against intercompany receivables due to GAN plc.

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

| | At 31 December 2018 | At 31 December 2017 |
|---|---|---|
| Debtor days (Group and Company) | 101 days | 38 days |

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

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

| | Company At 31 December 2018 £'000 | Group At 31 December 2018 £'000 | Company At 31 December 2017 £'000 | Group At 31 December 2017 £'000 |
|---|---|---|---|---|
| United States Dollar | 1,869 | 1,869 | 940 | 947 |
| Euro | 1,219 | 1,219 | 1,120 | 1,128 |
| Australian Dollar | – | – | 1 | 1 |
| | 3,088 | 3,088 | 2,061 | 2,076 |

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 2018 £'000 | Group At 31 December 2018 £'000 | Company At 31 December 2017 £'000 | Group At 31 December 2017 £'000 |
|---|---|---|---|---|
| Lease deposits – current | 42 | 42 | 170 | 192 |
| Lease deposits – non-current | 87 | 173 | – | – |

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 2018 £'000 | Group At 31 December 2018 £'000 | Company At 31 December 2017 £'000 | Group At 31 December 2017 £'000 |
|---|---|---|---|---|
| Cash in bank accounts | 3,273 | 5,549 | 1,408 | 2,746 |

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). Included within cash and cash equivalents is restricted cash of £390,129 (2017: £Nil).

## 13. Cash and cash equivalents (Company and Group) continued

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

| | Company At 31 December 2018 £'000 | Group At 31 December 2018 £'000 | Company At 31 December 2017 £'000 | Group At 31 December 2017 £'000 |
|---|---|---|---|---|
| United States Dollar | 1,382 | 3,487 | 508 | 1,827 |
| Euro | 175 | 234 | 339 | 378 |
| Bulgarian Lev | – | 25 | – | – |
| Israeli Shekel | – | 13 | – | – |
| Australian Dollar | 4 | 4 | 28 | 28 |
| | 1,561 | 3,763 | 875 | 2,233 |

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 2018 £'000 | Group At 31 December 2018 £'000 | Company At 31 December 2017 £'000 | Group At 31 December 2017 £'000 |
|---|---|---|---|---|
| Amounts falling due within one year | | | | |
| Trade payables | 1,529 | 1,640 | 1,868 | 1,881 |
| Other taxation and social security | 82 | 175 | 93 | 144 |
| Other payables | 679 | 784 | 224 | 265 |
| Amounts owed to group undertakings | 93 | – | – | – |
| Lease liabilities on right-of-use assets | 163 | 304 | – | – |
| Loan interest | 4 | 4 | 121 | 121 |
| Accruals and deferred income | 3,831 | 4,624 | 627 | 650 |
| | 6,381 | 7,531 | 3,399 | 3,601 |

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 days. Creditor days as at each year end were:

| | At 31 December 2018 | At 31 December 2017 |
|---|---|---|
| Creditor days (Group and Company) | 85 days | 32 days |

Creditor days is calculated by dividing the trade payables outstanding at year end by the total purchase invoices raised in the year, 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 Pounds Sterling (£).

| | Company At 31 December 2018 £'000 | Group At 31 December 2018 £'000 | Company At 31 December 2017 £'000 | Group At 31 December 2017 £'000 |
|---|---|---|---|---|
| United States Dollar | 1,108 | 1,136 | 741 | 744 |
| Euro | 4 | 4 | 233 | 233 |
| Israeli Shekel | – | 84 | – | – |
| | 1,112 | 1,224 | 974 | 977 |

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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2018

## 14. Trade and other payables continued

### Non-current liabilities

| | Company At 31 December 2018 £'000 | Group At 31 December 2018 £'000 | Company At 31 December 2017 £'000 | Group At 31 December 2017 £'000 |
|---|---|---|---|---|
| Loan notes | – | – | 2,001 | 2,001 |
| Lease liability on right-of-use assets | 299 | 713 | – | – |
| Lease liability | – | – | 211 | 211 |
| | 299 | 713 | 2,212 | 2,212 |

In April 2017, the Group raised £2.0m following issue of 2,001,483 £1 convertible unsecured loan notes. The loan notes had an interest rate of 9% payable quarterly in arrears from 1 January 2018, with redemption in April 2022. During the period, interest of £179,260 (2017: £120,089) was accrued in relation to the loan notes. The notes and accrued interest were redeemed in full on 25 June 2018, incurring an early repayment penalty of £180,133.

## 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. Business model and SPPI test have been considered when classifying financial assets on initial application of IFRS 9. The capital structure of the Group is managed and adjusted to reflect changes in economic conditions.

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

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

### Principal financial instruments

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

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

### Financial assets

The Group held the following financial assets:

| | Company At 31 December 2018 £'000 | Group At 31 December 2018 £'000 | Company At 31 December 2017 £'000 | Group At 31 December 2017 £'000 |
|---|---|---|---|---|
| Financial assets held at amortised cost: | | | | |
| Cash and cash equivalents | 3,273 | 5,549 | 1,408 | 2,746 |
| Trade and other receivables | 5,591 | 3,615 | 3,098 | 2,506 |
| | 8,864 | 9,164 | 4,506 | 5,252 |

### Financial liabilities

The Group held the following financial liabilities:

| | Company At 31 December 2018 £'000 | Group At 31 December 2018 £'000 | Company At 31 December 2017 £'000 | Group At 31 December 2017 £'000 |
|---|---|---|---|---|
| AMORTISED COST | | | | |
| Trade payables | 1,529 | 1,640 | 1,868 | 1,881 |
| Convertible bond | – | – | 2,001 | 2,001 |
| Other financial liabilities | 3,886 | 4,855 | 1,013 | 1,046 |
| | 5,415 | 6,495 | 4,882 | 4,928 |

## 15. Financial instruments continued

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

### Market risk

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

### Foreign currency risk management

The Group has exposure to foreign currency risk. Sales invoicing to customers is in UK Pounds Sterling, United States Dollars and Euro and the majority of outgoing payments are in UK Pounds Sterling and United States Dollar payments. Following the opening of the new office in Tel Aviv, a larger volume of outgoing payments will be in Israeli Shekels in future accounting periods but this was not a material cashflow in 2018.

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 2017 and 2018 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 2017 | (312) | (560) |
| At 31 December 2018 | (563) | (1,125) |

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 2018 (31 December 2017: 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 (on page 54).

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.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

## for the year ended 31 December 2018

### 15. Financial instruments continued

At 31 December 2018, the lifetime expected loss provision for trade receivables is as follows:

| | Current £'000 | More than 30 days past due £'000 | More than 60 days past due £'000 | More than 120 days past due £'000 | Total £'000 |
|---|---|---|---|---|---|
| Expected loss rate | 2.2% | 3.3% | 4.2% | 2.0% | 2.7% |
| Gross carrying amount | 1,602 | 781 | 384 | 444 | 3211 |
| Loss provision | 35 | 26 | 16 | 9 | 87 |

The debt profile of the Company is materially the same as that of the Group.

#### Liquidity risk management

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

At 31 December 2018, the Group had £5.5m (31 December 2017: £2.7m) of cash reserves including £0.4m of restricted cash reserves (31 December 2017: £Nil).

#### Maturity of financial assets and liabilities

With the exception of some of the lease deposits, all of the Group's non-derivative financial liabilities and its financial assets in the years to 31 December 2018 and 2017 are either payable or receivable within one year.

### 16. Share capital (Group and Company)

| | Ordinary shares (No.) |
|---|---|
| ALLOTTED, ISSUED AND FULLY PAID | |
| At 31 December 2016 | 70,051,924 |
| Issued during the year | – |
| At 31 December 2017 | 70,051,924 |
| Issued during the year (i), (ii) | 15,158,275 |
| AT 31 DECEMBER 2018 | **85,210,199** |

| | At 31 Dec 2018 £'000 | At 31 Dec 2017 £'000 |
|---|---|---|
| Ordinary shares | **853** | 701 |

#### Issue of shares during the year ended 31 December 2018

(i) 158,275 ordinary shares of 1p each were issued at a premium of 24.5p, generating gross proceeds of £40,360.
(ii) 15,000,000 ordinary shares of 1p each were issued at a premium of 49p, generating gross proceeds of £7,500,000.

## 17. Employee share based payments

The company has two share option schemes with differing exercise periods. All shares issued in the current and prior year are under the new scheme with an exercise period of nine years. Options have been granted under the Company's share option schemes to subscribe for ordinary shares of the Company as follows:

| Number of shares under option | Subscription price per share | Exercise period |
|---|---|---|
| 16,000 | 135p | August 2014 to August 2019 |
| 80,000 | 50p | March 2015 to March 2020 |
| 70,000 | 31.5p | July 2016 to July 2021 |
| 1,240,725 | 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 |
| 261,000 | 34p | November 2018 to November 2027 |
| 20,000 | 34.5p | November 2018 to November 2027 |
| 50,000 | 32.25p | December 2018 to December 2027 |
| 150,000 | 32p | January 2019 to January 2028 |
| 325,000 | 27.5p | March 2019 to March 2028 |
| 235,000 | 28p | April 2019 to April 2028 |
| 10,000 | 36p | May 2019 to May 2028 |
| 30,000 | 46.7p | May 2019 to May 2028 |
| 849,888 | 50p | May 2019 to May 2028 |
| 45,000 | 57.5p | June 2019 to June 2028 |
| 200,000 | 58.5p | November 2019 to November 2028 |
| 200,000 | 46p | December 2019 to December 2029 |
| 800,000 | 43.5p | December 2019 to December 2029 |
| 6,828,613 | | |

The weighted average fair value of options granted in the year using the Black Scholes option pricing model was £0.43 (2017: £0.31). The weighted average life of share options in issue at the year end was 8.87 years (2017: 1.70 years). The inputs into the Black Scholes model are as follows:

| | 2018 | 2017 |
|---|---|---|
| Weighted average share price | **49.63p** | 25.45p |
| Weighted average exercise price | **66.60p** | 25.64p |
| Expected volatility | **45.0%** | 23.7% |
| Expected life | **5 years** | 3 years |
| Risk-free rate | **0.70%** | 0.64% |
| Expected dividends | **0.0%** | 0.0% |

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2018

## 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 2018 £'000 | Group At 31 December 2018 £'000 | Company At 31 December 2017 £'000 | Group At 31 December 2017 £'000 |
|---|---|---|---|---|
| Share based payment charge | **272** | **272** | 117 | 117 |

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

| | At 31 December 2018 | | At 31 December 2017 | |
|---|---|---|---|---|
| | Average exercise price per share | Number of options | Average exercise price per share | Number of options |
| At the beginning of the year | **31p** | **5,498,500** | 55p | 4,455,829 |
| Granted | **32p** | **150,000** | 20.5p | 400,000 |
| Granted | **27.5p** | **325,000** | 25p | 1,846,000 |
| Granted | **28p** | **235,000** | 25.5p | 2,101,500 |
| Granted | **36p** | **10,000** | 34p | 361,000 |
| Granted | **46.7p** | **30,000** | 34.5p | 20,000 |
| Granted | **50p** | **849,888** | 32.25p | 50,000 |
| Granted | **57.5p** | **45,000** | (22p) | (993,250) |
| Granted | **58.5p** | **200,000** | (31.5p) | (1,155,000) |
| Granted | **46p** | **200,000** | – | – |
| Granted | **43.5p** | **800,000** | – | – |
| Lapsed/forfeited | **(60p)** | **(150,000)** | – | – |
| Lapsed/forfeited | **(135p)** | **(171,000)** | – | – |
| Lapsed/forfeited | **(50p)** | **(133,000)** | – | – |
| Lapsed/forfeited | **(31.5p)** | **(100,000)** | (50p) | (658,000) |
| Lapsed/forfeited | **(25.5p)** | **(702,500)** | (135p) | (623,000) |
| Lapsed/forfeited | **(34p)** | **(100,000)** | (60p) | (306,579) |
| Exercised | **(25.5p)** | **(158,275)** | – | – |
| At the end of the year | **33p** | **6,828,613** | 31p | 5,498,500 |

During the previous 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.

| | Year ended 31 December 2018 Pence | Year ended 31 December 2017 Pence |
|---|---|---|
| Basic | **(7.67)** | (4.96) |
| Diluted | **(7.67)** | (4.96) |

| Earnings | Year ended 31 December 2018 £'000 | Year ended 31 December 2017 £'000 |
|---|---|---|
| Loss for the year | **(6,028)** | (3,478) |

## 18. Earnings per share continued

| Denominator—basic | Year ended 31 December 2018 Number | Year ended 31 December 2017 Number |
|---|---|---|
| Weighted average number of equity shares | **78,586,012** | 70,051,924 |
| Weighted average number of equity shares for diluted EPS | **78,586,012** | 70,051,924 |

At 31 December 2018 there were 5,607,725 potentially dilutive shares in issue.

## 19. Subsidiaries

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

- GameAccount Alderney Ltd. The principal activity of GameAccount Alderney Ltd is the provision of person-to-person skill-based gaming software. GameAccount Alderney Ltd is registered in Alderney, with its registered address at 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 its registered address at 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 its registered address at Sofia 1202, r-n Oborishte, ul. G.S. Rakovski 42, UIS 204164230.
- Lockbox Games Ltd. The principal activity of Lockbox Games Ltd is the provision of casual mobile games anticipated in future periods. Lockbox Games Ltd is registered in the UK with its registered address at 2nd Floor, Axe & Bottle Court, Newcomen Street, London SE1 1YT.
- GAN Digital Ltd. The principal activity of GAN Digital Ltd is the provision of marketing services. GAN Digital Ltd is registered in Israel with its registered address at 31 Ahad Ha'am Street, Tel Aviv 6520204.

## 20. Related party transactions

The remuneration of the key management personnel is shown in note 7.

During the year, 9% convertible loan notes were repaid to certain Directors and related parties. Repayment of £113,269 (including interest of £18,447) was made to Roger Kendrick, who is a Director. Repayment of £4,764 (including interest of £776) was made to Michael Smurfit, Jr., who is a Director. Repayment of £2,214,876 (including interest of £360,722) was made to Sir Michael Smurfit, who is a related party to Michael Smurfit Jr.

During the year, options over the Company's shares were granted to one of the Directors through the share option plan (see note 17). The total number of options granted to Directors was 1,849,888 (2017: 2,246,000).

During the year, options over the Company's shares that had been granted to a former Director were forfeited. The total number of options granted to a former Director that were forfeited was 551,000 (2017: 1,446,000).

### Company

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

During the year, the Company provided working capital to GameAccount Nevada Inc. As at the year ended 31 December 2018, the balance due from GameAccount Nevada Inc. was £671,749 (2017: £1,082,161).

As at the year ended 31 December 2018, the balance due from GAN Digital Ltd was £985,065 (2017: £Nil).

As at the year ended 31 December 2018, the balance due from GAN Software Services BG Ltd was £367,216 (2017: £Nil).

As at the year ended 31 December 2018, the balance due to GameAccount Alderney Limited was £93,249 (2017: £207,073).

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

## 21. Leases

The group leases a number of properties in the jurisdictions from which it operates. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation, or to be reset periodically to market rental rates. In some jurisdictions, the periodic rent is fixed over the lease term.

The main leases in the period relate to the Group's offices in London, Nevada, New Jersey and Sofia. There were five leases that fell under the requirements of IFRS 16 in the year. The lease period of these leases ranges from one to five years. All leases have fixed periodic rental payments.

| Right-of-Use Assets | Company At 31 December 2018 £'000 | Group At 31 December 2018 £'000 | Company At 31 December 2017 £'000 | Group At 31 December 2017 £'000 |
|---|---|---|---|---|
| At 1 January 2018 | **466** | **568** | | |
| Additions | **427** | **986** | – | – |
| Amortisation | **(475)** | **(590)** | – | – |
| At 31 December 2018 | **418** | **964** | – | – |

## 21. Leases continued

| Lease Liabilities | Company At 31 December 2018 £'000 | Group At 31 December 2018 £'000 | Company At 31 December 2017 £'000 | Group At 31 December 2017 £'000 |
|---|---|---|---|---|
| At 1 January 2018 | **466** | **568** | – | – |
| Additions | **427** | **986** | – | – |
| Interest Expense | **25** | **49** | – | – |
| Lease Payments | **(558)** | **(689)** | – | – |
| At 31 December 2018 | **360** | **914** | – | – |

| Lease liabilities falling due: | Company At 31 December 2018 £'000 | Group At 31 December 2018 £'000 | Company At 31 December 2017 £'000 | Group At 31 December 2017 £'000 |
|---|---|---|---|---|
| Up to 3 months | **55** | **101** | | |
| Between 3 and 12 months | **108** | **203** | – | – |
| Between 1 and 2 years | **196** | **313** | – | – |
| Between 2 and 5 years | **–** | **297** | – | – |

The expense relating to short term leases and leases of low value assets in the year amounted to £22k.

The incremental borrowing rate applied to lease liabilities on 1 January 2018 was 9%. The Group has utilised the parent incremental borrowing rate for the calculation of the liability for leases held by group subsidiaries, as a central treasury function is operated by the group, subsidiaries operate on a cost plus approach, and the parent is a guarantor on a number of the Group's leases.

The aggregate lease liability recognised in the statement of financial position at 1 January 2018 and the Group's operating lease commitment at 31 December 2017 can be reconciled as follows:

| | Company £'000 | Group £'000 |
|---|---|---|
| Operating lease commitment at 31 December 2017 | **266** | **384** |
| Variation to length of lease | **210** | **210** |
| Effect of discounting lease commitments at 9% | **(22)** | **(29)** |
| Currency exchange variations | **–** | **(9)** |
| Low value leases included in operating lease commitment | **12** | **12** |
| Lease liability at 1 January 2018 | **466** | **568** |

## 22. Contingent liabilities

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

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

## 23. Post Balance Sheet Events

There were no events after the balance sheet which would result in a material impact on the financial statements.

# 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 ('AIM') of the London Stock Exchange and the Enterprise Securities Market ('ESM'), a market operated by the Irish Stock Exchange.

**Directors**

| | |
|---|---|
| Seamus McGill | Non-executive Chairman |
| Dermot S Smurfit | Chief Executive Officer |
| Richard Santiago | Chief Financial Officer |
| Michael Smurfit Jr. | |
| Roger Kendrick | |
| David Goldberg | |

**Secretary**
Richard Santiago

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