GAN Announces 2018 Annual Financial Results Highlighted by a 16% Increase in Net Revenue

LSE: GAN   ISE: GAME

Company to Hold Conference Call on Friday, March 29, 2019 at 12:00 PM ET (4:00 PM UK)

London & Dublin | March 29, 2019: GAN plc ("GAN" or the "Group"), an award-winning developer and supplier of enterprise-level B2B Internet gaming software, services and online gaming content in the United States, today announced results for the twelve months ended December 31, 2018 highlighted by higher Gross Income, Net Revenue, and a significantly strengthened balance sheet. The Company has also made an Investor Presentation with additional information on GAN's outlook and strategic initiatives available on its website at www.GAN.com.

2018 Financial Overview

- Gross Income of £49.2m (2017: £41.1m) an increase of 20% on 2017
- Net Revenue of £10.6m (2017: £9.1m) an increase of 16% on 2017
- Clean EBITDA[1] loss of £1.5m (2017: 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 £7.5m in June 2018 through issue of equity and repaid £2.0m convertible loan to become debt-free (excluding lease liabilities)

2018 and Recent Strategic & Operating Developments

- Launched Internet sports betting in New Jersey on September 1, 2018 for PaddyPower Betfair's 'FanDuel'
- Continued delivery of PaddyPower Betfair's fast-growing New Jersey Internet casino business BetfairCasino.com supported by GAN's Internet gambling platform, content & supporting services
- Commercially licensed GAN's US patent number 8,821,296 ("Patent") for linking a patron's rewards account to their Internet gambling account, for a five year term, to PaddyPower Betfair's US subsidiary in 2019.
- Launched Simulated Gaming for one new client, Choctaw Mississippi
- Continued investment in expanding technical engineering resources principally in Sofia, Bulgaria
- Continued investment in preparation for the launch of Internet sports betting and Internet casino gaming for the market leading casino in the State of Pennsylvania, Parx Casino
- In January 2019, expanded relationship with PaddyPower Betfair for delivery of Internet sports betting and Internet casino into the State of Pennsylvania and the State of West Virginia
- In February 2019, expanded relationship with Parx Casino for delivery of Internet sports betting and Internet casino into the State of New Jersey

Dermot Smurfit, CEO of GAN commented:

"2018 was a milestone period for GAN as we continued to adapt to positive changes in our online gaming market and as a result feel that the Company is well positioned for the coming year. The repeal of a 25 year-old Federal ban on sports betting in America in May 2018 cleared the path for GAN to launch Internet sports betting just four months later following a complex re-allocation of our internal engineering resources in order to integrate the first sports betting application into our enterprise software platform. Additional engineering resources were acquired principally in the second half of 2018 in order to deliver a complete Internet gambling solution to the market which reinforced GAN's position as a market leader. As a direct consequence of our short term investment cycle undertaken and completed principally in H2 2018, GAN's performance to date in 2019 is exceeding our expectations.

GAN has continued to position its business to capture growth in emerging online gambling markets in the US. 2018 saw significant progress with the launch of Internet sports betting together with the launch of just one single new client of Simulated Gaming as real money gambling initiatives drove our strategic decision making. A number of significant commercial and strategic developments occurred in 2018 and early 2019, the most significant of these was the launch of Internet sports betting but the second most significant was the licensure of GAN's US Patent to PaddyPower Betfair's US subsidiary. Management believes that the recognition of GAN's US Patent significantly underpins GAN's intangible asset value and could potentially lead to further client partnerships and US Patent licensing revenue opportunities.

GAN continued to prepare for Pennsylvania Internet gambling, now expected to commence in Summer 2019 following a multi-month regulatory delay. GAN's client in Pennsylvania, Parx Casino, is the largest single casino property by market share in Pennsylvania. GAN will also be launching PaddyPower Betfair's 'FanDuel' Internet sports betting and casino gaming in 2019. GAN is positioned for substantial growth in regulated real-money Internet gambling in the US following the commencement of Pennsylvania's Internet gambling market.

New Jersey's Internet gaming market out-performed our full year expectations with gross gaming revenues up 22% year on year to $299m with our second client for New Jersey real money Internet gaming, Ocean Resort Casino, launched in July 2018. We are increasingly confident in the long-term prospects for intra-State real-money gaming in the US and believe the opportunity of Internet sports betting may now serve as a catalyst for other US States to regulate both Internet sports betting as well as Internet gaming.

In Europe, our Italia regulated Internet gaming business grew substantially with the addition of our ninth client, Goldbet, a major retail sports betting and gaming operator. the 'Overseas Internet Casino', WinStar.com, launched user acquisition and retention marketing in September 2018 through the efforts of our newly-established multi-client digital marketing agency 'GAN Digital', established in Tel Aviv, Israel earlier in the year.

We remain confident in our prospects for 2019 and beyond. For 2019, we forecast material growth of Internet sports betting, Simulated Gaming™ and real money Internet gaming undertaken for US clients in New Jersey, Pennsylvania and Europe's diverse regulated markets principally via http://casino.winstar.com. Our US Patent licensing program which commenced in 2017 will also represent a new source of patent licensing revenues for GAN in 2019 and beyond.

We were very pleased to see West Virginia become the 5th US state to regulate Internet gambling on March 27, 2019 (in addition to already-regulated Internet sports betting). We believe GAN has developed considerable momentum in the US market and that the Company is well-positioned to secure additional profitable opportunities from incremental US States which regulate real money Internet gambling over time."

Notes

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

Note regarding forward-looking statements
This announcement includes forward-looking statements, including statements concerning current expectations about future financial performance and economic and market conditions which GAN believes are reasonable. However, these statements are neither promises nor guarantees, but are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated.

Conference Call Details
The company will host a conference call on Friday, March 29, 2019 at 12:00 PM ET / 4:00 PM UK time to discuss these financial results.

Date/Time: Friday, March 29, 2019, at 12:00 PM ET/ 4:00 PM UK time
Participant Dial-In Numbers:

United States & Canada:	877-407-8629
United Kingdom:	0-800-756-3429
International:	201-493-6715

To access the call, please dial-in approximately five minutes before the start time.

Webcast
The call will also be simultaneously webcast over the Internet via the following link https://78449.themediaframe.com/dataconf/productusers/gan/mediaframe/29406/indexl.html such link will also be made available in the "Results and Presentation" section of GAN's website (http://gan.com/investors/results-and-presentations).

For further information please contact:

GAN
Jameson Wang
VP Investor Relations & Analytics
+1 310 384 1132
jwang@GAN.com

US Investors | The Equity Group
Adam Prior/Kyle King
+1 212 371 8660
aprior@equityny.com

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

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

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

GAN plc

Chairman's Report

Dear Fellow 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 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 at 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, GAN plc

GAN plc

Chief Executive Officer's report

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
GAN plc

FINANCIAL AND OPERATIONAL REVIEW

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 continues 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 (Internet Gaming System) 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. 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 the 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 (£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.

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 Gaming™ (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 £9.1m 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™. Administrative 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 £7.3m, £1.8m 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.

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.

	2018	**2017**
	£'000	**£'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 cash equivalents	5,549	2,746

GAN plc

For the year ended 31 December 2018

Consolidated statement of comprehensive income

	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		-	-
Total operating costs		(16,939)	(13,219)
Clean EBITDA**		(1,453)	454
Depreciation	10	(805)	(379)
Amortisation of intangible assets	9	(3,840)	(3,851)
Impairment of intangible assets		-	(168)
Exceptional costs	6	-	(341)
Profit on sale of intangible assets	6	-	303
Employee share-based payment charge		(272)	(117)
Operating (loss)	6	(6,370)	(4,099)
Finance (costs)/income	7	(324)	(117)
(Loss) before taxation		(6,694)	(4,216)
Tax credit	8	666	738
(Loss) for the year attributable to owners of the Group 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)	14	(7.67)	(4.96)
Diluted (pence)	14	(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 reflects the underlying performance of the business, and excludes non recurring and significant non cash items. Where not explicitly mentioned, EBITDA refers to EBITDA from continuing operations.

GAN plc

For the year ended 31 December 2018

Consolidated statement of financial position

	Notes	At 31 December 2018 £'000	At 31 December 2017 £'000
Non-current assets			
Intangible assets	9	5,383	5,871
Property, plant and equipment	10	1,184	374
Lease deposits		173	-
		6,740	6,245
Current assets			
Trade and other receivables		3,907	2,874
Goods in transit		528	-
Research & Development tax credit receivable		842	795
Lease deposits		42	192
Cash and cash equivalents	11	5,549	2,746
		10,868	6,607
Total assets		**17,608**	**12,852**
Current liabilities			
Trade and other payables	12	7,531	3,061
Total current liabilities		7,531	3,061
Non-current liabilities			
Convertible bond		-	2,001
Other payables	12	713	211
Total non-current liabilities		713	2,212
Equity attributable to equity holders of parent			
Share capital	13	853	701
Share premium account		26,198	18,809
Retained (deficit)/ earnings		(17,687)	(11,931)
		9,364	7,579
Total equity and liabilities		**17,608**	**12,852**

GAN plc

For the year ended 31 December 2018

Consolidated statement of changes in equity

	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

GAN plc

For the year ended 31 December 2018

Consolidated statement of cash flows

	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	9	3,840	3,851
Impairment of intangibles	9	-	168
Depreciation of property, plant and equipment	10	805	379
Loss on disposal of fixed asset	10	-	-
(Profit) on disposal of intangible fixed asset		-	(303)
Share based payment expense		272	117
Tax credit	8	(666)	(738)
Finance expense	7	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 flows from operating activities		**1,690**	**865**
Cash flow from investing activities			
Interest received		6	5
Sale of intangible fixed assets		-	303
Purchase of intangible fixed assets	9	(3,353)	(3,457)
Purchases of property, plant and equipment	10	(60)	(63)
Net cash used in investing activities		**(3,407)**	**(3,212)**
Cash flow from financing activities			
Proceeds on issue of shares	13	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)	-
(Repayment of) / Proceeds from loan		(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	11	2,746	3,179
Effect of foreign exchange rate changes		103	(87)
Cash and cash equivalents at end of year	**11**	**5,549**	**2,746**

Notes to the financial statements

1. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and interpretations (collectively, "IFRS") issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs").

The financial information set out in this document does not constitute the Group's statutory accounts for the year ended 31 December 2017 or 31 December 2018.

Statutory accounts for the year ended 31 December 2017 have been filed with the Registrar of Companies and those for the year ended 31 December 2018 will be delivered to the Registrar in due course; both have been reported on by independent auditors. The independent auditors' reports on the Annual Report and Accounts for the year ended 31 December 2017 and 31 December 2018 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

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

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

Adoption of new and revised standards
In the current year the Group has adopted all of the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as they have been adopted by the European Union, that are relevant to its operations and effective for accounting years beginning 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 recognized 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 profit or loss and OCI 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). The following table shows the adjustments recognised for each line item of the financial statements affected.

Impact of IFRS 16 adoption

	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)
	(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
Amortization	3,893	(53)	3,840
Net finance costs	275	49	324
	(2,898)	278	(2,898)

2. Summary of significant accounting policies

The principal accounting policies adopted are set out below.

2.1 Basis of Consolidation

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

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

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historical patterns in voting attendance.

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

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

Foreign currencies

(a) Functional and presentational currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

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

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve

2. Summary of significant accounting policies *(continued)*

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 recognized as either services recognized on delivery or services recognized 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. Summary of significant accounting policies *(continued)*

2.3 Gross income from gaming operations and services

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

2.4 Distribution costs

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

2.5 Administrative expenses

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

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

2.6 Intangible assets

Externally acquired intangible assets

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

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

Licenses and trademarks	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 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.

2. Summary of significant accounting policies *(continued)*

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

2.7 Property, plant and equipment

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Fixtures, fittings, equipment and leasehold improvements	20-33% straight line

Subsequent expenditures are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated statement of comprehensive income.

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.

2. Summary of significant accounting policies *(continued)*

Financial assets held at amortised cost

These assets arise principally from the provision of goods and services to customers (eg 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, 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.

2.9 Financial instruments *(continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term highly liquid investments that have maturities of three months or less from inception, are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Classification of shares as debt or equity instruments

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability. An equity instrument is a contract that evidences a residual interest in assets or an entity after deducting all of its liabilities. Accordingly, a financial instrument is treated as equity if:

- There is no contractual obligation to deliver cash or other financial asset or to exchange financial assets or liabilities on terms that maybe unfavourable, and

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

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

2. **Summary of significant accounting policies** *(continued)*

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

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 behavioral considerations.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk Management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates financial risks in close co-operation with the Group's operating segments. The Board provides principles for overall risk management, as well as policies covering specific areas, such as, interest rate risk, non-derivative financial instruments and investment of excess liquidity.

3.2 Market risk

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

3.3 Contractual risk

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

3.4 Credit risk

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

3.5 Liquidity risk

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

3.6 Capital risk management

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

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

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

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

3. Financial risk management *(continued)*

3.7 Fair value estimation

The carrying value less impairment provision of trade and other receivables and payables are assumed to approximate their fair values because of the short term nature of such assets and the effect of discounting liabilities is negligible.

3.8 Critical accounting estimates and judgements

The preparation of consolidated financial statements under IFRS as adopted by the EU requires the Group to make estimates and judgments that affect the application of policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Reference is made in this note to accounting policies which cover areas that the Directors consider require estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. These policies together with references to the related notes to the financial statements can be found below:

Judgements:	**Note**
Revenue recognition	4
Capitalisation and impairment of internally generated intangible assets	9
Taxation	8

Revenue recognition

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

Capitalisation and impairment of internally generated intangible assets

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

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

Taxation

Deferred tax assets are recognised to the extent that it is probable future taxable profits will be available against which the temporary differences can be utilised. The key area of judgement is therefore an assessment of whether it is probable that there will be suitable taxable profits against which any deferred tax assets can be utilised. Further details of deferred tax assets recognised are disclosed in note 9. 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.

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
	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
	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/ (charge)			666
Loss for the year after taxation			(6,028)

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			(5,523)
Depreciation on property, plant and equipment			(379)
Amortisation of intangible assets			(3,851)
Impairment of intangible assets			(168)
Net finance income			(117)
Loss before taxation			(4,216)
Tax credit/(charge)			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 segment and liabilities has not been included in this financial information

5. Segmental information *(continued)*

Geographical 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 the 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.

Geographical 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	9	-
	6,740	6,245

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	4,827	3,218
Auditor's remuneration:		
Audit	73	70
Others	5	10
Amortisation of intangibles	3,840	3,851
Depreciation on property, plant and equipment and right of use assets	805	379
Impairment of intangible assets	-	(168)
Foreign exchange (gains)/losses	67	174
Rent payable under operating leases	20	341
Employee share-based payment charge	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 of the financial statements. Total wages and salaries related to research and development was £3,544,564 (2016: £3,217,577) 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 loss of office, redundancy and compromise costs, together with associated legal expenses	-	320
Key management relocation costs	-	-
Costs associated to bond issue	-	14
Other exceptional costs	-	7
	-	341

During the year the Group restructured certain operations which resulted in redundancy costs totaling £Nil (2017: £320,000).

7. Finance income and (costs)

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

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 12.

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

GAN plc

For the year ended 31 December 2018

Notes to the financial statements *(continued)*

8. 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)

9. Intangible assets

	Brand Assets £'000	Development costs £'000	Licence costs £'000	Total Brand Assets, Development and 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 in November 2017, which relates to the US IGS category and was calculated at its net book value and impaired in full.

10. Property, plant and equipment

	Fixtures, fittings, equipment and leasehold improvements £'000	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
Disposals	(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. Cash and cash equivalents

	At 31 December 2018 £'000	At 31 December 2017 £'000
Cash in bank accounts	5,549	2,746

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

12. Trade and other receivables

	At 31 December 2018 £'000	At 31 December 2017 £'000
Trade receivables	3,126	1,800
Other receivables	153	232
Receivables from payment service providers	107	33
Prepayments and accrued income	521	809
	3,907	2,874

12. Trade and other payables

	At 31 December 2018 £'000	At 31 December 2017 £'000
Amounts falling due within one year		
Trade payables	1,640	1,881
Other taxation and social security	175	144
Other payables	784	265
Lease liabilities on right-of-use assets	304	-
Loan interest	4	121
Accruals and deferred income	4,624	650
	7,531	3,061

Non-current liabilities

	At 31 December 2018 £'000	At 31 December 2017 £'000
Convertible bond	-	2,001
Finance lease liability	-	211
Lease liabilities on right-of-use assets	713	-
	713	2,212

In April 2017, the Group raised £2m following issue of 2,001,483 £1 Convertible Unsecured loan notes. The loan notes have an interest rate of 9% payable quarterly in arrears from 1 January 2018, with redemption in April 2022. During the period interest of £179,260 (2017: £30,000) 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.

13. Share capital

	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 December 2018 £'000	At 31 December 2017 £'000
Ordinary shares	853	701

Issue of shares

(i) 158,275 ordinary shares of 1p each were issued at a premium of 24.5p during the year ended 31 December 2018 generating gross proceeds of £40,360

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

14. Earnings per share

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	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)

14. 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