29 December 2016

NEKTAN PLC

("**Nektan**", the "**Company**" or the "**Group**")

Results for the year ended 30 June 2016 and post period-end trading update

GROWTH ACCELERATING IN EUROPE, INCREASED OWNERSHIP OF RESPIN US JV WITH PROPOSED NEW EQUITY RAISE TO SUPPORT COMPANY'S PROGRESS

Nektan plc (AIM: NKTN), a leading international B2B gaming solutions and services provider, announces its results for the year ended 30 June 2016, provides a post period-end update, and discloses a proposed equity fundraising.

Trading update for the quarter ended September 2016

- Q1 trading to the end of September 2016 – positive growth momentum which is accelerating into Q2

	Q1		Change
	2017	**2016**	
Net Gaming Revenue (NGR)	£2.1m	£0.5m	+295%
First Time Depositors	14,037	6,518	+115%
Cash Wagering	£65.9m	£15.4m	+328%

- Proposed fundraising of up to £2.275m gross to provide near term working capital by way of subscriptions for new ordinary shares. The Company has received indications of interest from investors which would be sufficient to complete the subscription
- Amendment to the terms of the convertible loan note where Series A Loan Note Holders have agreed to allow the Company, at its choice, to defer interest payments
- Continued realignment of the businesses in Europe and the US to accelerate more profitable and sustainable growth:
- On 21 December, the Company increased its ownership of Respin Inc, the Class II mobile on-premise solution provider, to 85% as additional funding was converted to an increased membership interest, transitioning the business to an operating subsidiary of Nektan from a joint venture
- On 22 August, the Company entered in to an asset disposal and separate licensing agreement with Buckingham HMB Ltd for three of the Company's wholly-owned gaming brands for £1.95 million in cash and a five-year licencing agreement

Preliminary results summary

	Year ended 30 June 2016 £'000	**Year ended 30 June 2015 £'000**
Total revenue	5,783	528
Adjusted EBITDA*	(5,744)	(5,109)
Operating loss	(8,349)	(7,209)
Loss after taxation	(10,486)	(8,123)
Basic loss per share (pence)	(44.8)	(39.6)
Diluted loss per share (pence)	(44.8)	(39.6)

**Adjusted EBITDA excludes exceptional costs and non-cash charges relating to share based payments*

Operational and strategic highlights for year ended 30 June 2016

- Net Gaming Revenue (NGR) growth of 1,402% to £5,783,000 (2015: £385,000)
- Delivered improved underlying growth momentum by expanding our engaged registered customer base:
  - Recruited 48,723 new First Time Depositing Players (FTDs) (2015: 5,461)
  - Total cash wagering up by 1,128% to £150 million (2015: £13.3 million)
  - Processed 39,589,325 transactions (bets or spins) from 50,805 cash players in the financial year
- Adjusted LBITDA of £5,744,000 (2015: £5,109,000 loss) and loss for the year of £10,486,000 (2015 £8,142,000 loss)
- Launched 29 new partners on our casino network on multi-year contracts, helping to underpin recurring revenue growth, with an increasing focus on those that add most value to the casino network through player acquisition and product development improvements

- Continued strengthening of the business to deliver sustainable growth across Europe and the US by improving player attraction and retention and maximising player life time values through a number of product and process improvements
- Respin LLC, our US joint venture in partnership with Spin Games (which became a subsidiary after the year end) continued to innovate, with the launch of its Rapid Games product, a Class II Mobile in venue cash wagering solution, offering casino patrons the opportunity to wager on their own devices when in a casino

Proposed equity fundraising

- The Company is seeking to raise up to £2.275m gross to provide near term working capital by way of subscription for new ordinary shares
- The Company has received indications of interest from investors which would be sufficient to complete the subscription
- In addition, upon completion of the subscription, the directors will make an offer to qualify shareholders to subscribe for new ordinary shares with a value of up to £500,000
- Both the subscription and the offer will be priced at 27.5p (a discount of 15% to the mid-market share price at the close on 28 December 2016) and will include a warrant that will reprice the investors investment price to the issue price of any lower priced fundraising in the next 6 months
- The subscription will launch immediately following this announcement and a further announcement will be made to confirm its completion later today
- The funds being raised from the subscription will provide near term working capital but it is expected that long term funding will be required by the Company and, without undertaking alternative corporate transactions, the directors anticipate that the Company will need to undertake an additional fundraising

Proposed amendments to the Series A Convertible Loan Notes ("CLN")

- There is currently £10,000,000 of Series A CLNs
- Subject to the completion of the fundraising, the Company has agreed with the noteholders to amend the terms of the Series A CLNs so that the Company has the right to defer the interest on the Series A CLNs until 2020
- If the Company exercises its right to defer interest, the Series A CLN holders will be granted a warrant to buy Ordinary Shares at the lowest prevailing equity issue price per share up to the value of the interest so deferred prior to the redemption date
- Ordinary Shares issued pursuant to the exercise of these warrants will not rebase the Conversion Price
- The Company will be able to opt to repay the Series A CLNs on any date after 30 April 2019 and prior to the end of the term

Increase in holding in US Joint Venture

- In November 2014, Nektan signed an agreement with Spin Games for the creation of the Respin LLC joint venture
- Historically, both parties have provided resources to Respin equally but over the last year the Company has provided Respin with approximately $1.7m of additional loans
- On 21 December, the Company has converted these loans and increase its membership interest in its ReSpin LLC joint venture from 50% to 85% , transitioning the business to an operating subsidiary of Nektan from a joint venture

Leigh Nissim, Chief Executive Officer, said:

"In Europe, Nektan continues to focus on accelerating momentum and optimising its casino network, with the addition of new partners, high quality casino games and improved features and facilities to keep attracting and retaining players, which we are further building on to deliver profitable growth.

We expect that our North American Respin business, now an operating subsidiary of the Group, will increase its installed customer base amongst tribal casinos due to the strength of our product, pipeline and level of interest from casinos for our on-premise Class II mobile casino solution.

We will continue to invest in our proprietary core platform, Evolve, which powers both our North American and European businesses. The intelligent use of the flexibility and speed this provides will allow us to leverage the Company's assets, expertise and networks across both North America and Europe, to maximise revenue in both businesses and deliver profitable growth to shareholders. "

For further information on the Group, please contact:

Nektan via Newgate below
Leigh Nissim, Chief Executive

Zeus Capital Limited (Nominated Adviser & Broker) Tel: +44 20 3829 5000
Giles Balleny, Nicholas How (Corporate Finance)

Newgate (PR Adviser) Tel: +44 20 7680 6521/ 07747 113 930
James Benjamin Em: nektan@newgatecomms.com

Further information on Nektan can be found on the Group's website at www.nektan.com

The Market Abuse Regulation ("MAR") became effective from 3 July 2016. Market soundings, as defined in MAR, were taken in respect of the proposed Subscription with the result that certain persons became aware of inside information, as permitted by MAR. That inside information is set out in this announcement and has been disclosed as soon as possible in accordance with paragraph 7 of article 17 of MAR. Therefore, those persons that received inside information in a market sounding are no longer in possession of inside information relating to the Company and its securities.

About Nektan:

Nektan is a leading international B2B mobile gaming solutions and services provider, operating in the regulated, interactive real money gaming (RMG) gaming space, delivering original and innovative solutions to commercial organisations that have established online audiences.

Nektan's full end-to-end technology platform, Evolve, simplifies and supports the route to mobile and desktop gaming revenues, managing the full customer experience and back-office operations, allowing commercial partners to focus on marketing the product to their consumers.

Nektan’s US operating subsidiary in partnership with Spin Games, Respin LLC, provides US land-based casinos with in-venue mobile gaming solutions which allow operators to add mobile technology and content to their existing offerings, with products accessible to players across both cabinets and mobile devices inside the casinos. Respin has a strong intellectual property portfolio including game patents for Rapid Games™ (on-property mobile entertainment), and other captivating concepts and brands.

Nektan is headquartered in Gibraltar, regulated by the Gibraltar Licensing Authority and the UK Gambling Commission, as well as in the Irish market and maintains sales and customer support operations in its two primary geographical targets, Europe and North America. The proprietary Evolve technology is developed and maintained by a talented and experienced team of employees from Nektan’s Indian office.

Nektan plc was admitted to the AIM market of the London Stock Exchange in November 2014.

Chief Executive's Review

Overview

Nektan has made significant operational and strategic progress in our key markets in Europe and the US over the last year and following the period-end, delivering growth momentum from our casino partners, with a significant and expanding base of active registered players as we keep selectively expanding the casino network with quality partners, helping to ensure that we continue to deliver sustainable profitable growth.

The Real Money Gaming (RMG) business continues to be Nektan's core focus in Europe, leveraging our Gibraltar gaming licence, proprietary back office platform (Evolve) and operational expertise to offer a rewarding and entertaining player experience across a network of 56 white label casinos.

Our casino offering to partners includes 233 casino games titles from leading gaming suppliers such as NetEnt, IGT, NYX and SciGames, as well as Nektan's own proprietary games. We will continue to improve our excellent casino games portfolio, through the addition of best-of-breed content from leading suppliers, supplemented with our own games and those of our US partner, Spin Games.

During the year, the casino network processed 39,589,325 transactions and registered 50,805 new players, demonstrating the importance and flexibility of the Evolve platform to support and deliver additional growth. We strive to be the best in all operating disciplines across casino management, maximising player entertainment and engagement through the intelligent use of our back office platform and associated services across customer relationship management, payments, customer service and player marketing.

Nektan's operating expertise, combined with the Evolve back office, are two critical components to the success of Respin Inc, which continues to innovate in the North American casino market. The Respin team have worked hard to bring new and fresh products to the US tribal casino market that cater for Millennials, whilst bringing additional revenues to US casinos through the intelligent use of HTML5 technologies distributed via mobile devices, either bring your own devices ("BYOD") or within a cabinet or wheel.

After the year end, Nektan increased its ownership of Respin Inc to 85% of the total equity through the conversion of certain loans made in the year. Transitioning the business from a joint venture to an operating subsidiary is an important milestone as it consolidates the business into the Group as we continue to strengthen our position as an international gaming provider, offering solutions and services that are fresh, high quality and tangibly different from other suppliers in both Europe and North America, leveraging the strengths, products and assets of both businesses for mutual success.

Nektan is also focussed on realigning our capital structure, whilst proactively managing our cost base for maximum efficiency, in order to provide a solid foundation to achieve additional growth opportunities across our key markets in Europe and North America

Performance

During the year, the Group's European business has delivered material growth in all RMG casino KPIs – house win or net gaming revenue in the year ending June 2016 was £5.783 million (2015: £528,000). At year end, the casino network included 56 white label partners, processing £10.5 million cash deposits from 55,708 unique players.

The upgrade of our Evolve back office during the year positions the casino network well for future growth and geographic expansion. Controlling our product roadmap offers flexibility and the opportunity to differentiate our casino offering from other casinos in a competitive market, which benefits our white label partners. During the upgrade, we also introduced the ability to accept multi-currency payments from players – whilst this is not yet a material part of our business, we expect this functionality to facilitate entry in to new markets and increase the attraction and retention of players.

In the US, Respin continues to innovate, with the launch of its Rapid Games product – a mobile in-venue cash wagering product, offering casino patrons the opportunity to wager on their devices when in a casino. This new product functions from a Class II casino engine, targeting a growing and sizeable content category in the North American gaming market.

In January, Respin became the first company to be approved by Apple Inc. for mobile in-venue gaming and in April 2016 Respin won the iGaming North America 2016 Best Innovation in North America. A further milestone was achieved in June when Respin received approval from the designated independent test lab BMM for release of its "Rapid Games" product, a Class II Mobile in venue gaming solution. This Class II compliance certification opens the way for tribal jurisdictions to start deploying this product which will allow players to play Class II games on their own mobile device within designated areas of casino property. The directors are not aware of any other mobile product that currently has Class II compliance. As at 30 June 2016, Respin had approvals in over 50 sites across California, Nevada, Washington and Louisiana. Rapid Games has fast become Respin's core focus, although it continues to offer Xtraspin wheels where positive opportunities are presented.

The operating loss for the year was £8.3 million (2015: £7.2 million loss). Adjusted EBITDA, which excludes exceptional items, and non-cash charges relating to share based payments was a loss of £5.7 million (2015: £5.1 million loss).

Since the period end, growth momentum across the Group has accelerated in the first quarter to the end of September: Net Gaming Revenue increased to £2.1 million (Q1 FY 2016: £0.5 million / Q4 FY 2016: £1.9 million); we recruited 14,037 new First Time Depositing Players (FTDs) (Q1 FY 2016: 6,518 / Q4 FY 2016: 16,597); and total cash wagering is up by 29% quarter on quarter to £65.9 million (Q1 FY 2016: £15.4 million / Q4 FY 2016: £51.2 million)

Key drivers

The design of Evolve allows the Group the flexibility to meet the demand of its white label casino partners, US casinos and their players, ensuring it has a speed-to-market advantage and the ability to produce a casino software solution in a matter of weeks rather than months. The existing investment in Evolve's software architecture and product development acts as a significant barrier to entry in offering a robust B2B mobile gaming platform.

Over the past 12 months, we have continued to invest in our Evolve gaming platform to ensure that our product remains market-leading and that we retain our competitive advantage. Evolve is focused on supporting mobile gaming first as well as enabling desktop, ensuring our products provide a superior mobile entertainment experience for end users. The Group can identify architecture developments and prioritise these as we deem fit due to having full ownership of our platform, which also allows the Group to integrate third-party software in short timeframes and at a lower cost.

The successful migration of all players and partners to our Evolve II platform, Nektan's upgraded proprietary back office platform offering, delivers: scalable, faster and simpler games and content management promotion; extension of the customer journey and associated payments to enable multi-currency processing and the facilitation of international gaming transactions; and improved data collection, analysis and reporting.

New payment methods are available to players, including BOKU, which is facilitating payments on mobile. Apple and Google play app upgrades. The addition of 110 new best of breed casino games from the leading providers including IGT, NetEnt and SciGames, offering players an enhanced casino games portfolio, which we expect to continue to improve. We launched Nektan Marketing Services, a joint venture, providing our casino partners with digital player acquisition and marketing services.

Europe

We continue to selectively add high quality partners and, at the year-end, we had 56 live RMG casino partners, including the landmark multi-year relationship with The Sun newspaper in the UK to develop and operate Sun Play, an innovative new gaming product relaunched in the UK in March 2016.

The team's increased focus on efficient casino management has started to bear positive results, supported by an ever-improving casino games portfolio, an engaging player marketing programme, a robust production environment, operational excellence and clear, innovative product roadmaps. We will continue to accelerate improvements, with input from our customers and their players, with a continued positive improvement in the growth of all our player and revenue KPIs.

In line with these efforts, in August 2016, Nektan entered into an asset disposal and simultaneous licensing agreement with Buckingham HMB Ltd ("Buckingham") to sell three of the Company's wholly-owned gaming brands. Buckingham paid the Company a total cash consideration of £1.95 million for the assets, whilst separately entering in to a five-year licensing agreement with the Group for the continuing operation of the brands under Nektan's white label Evolve platform for a monthly royalty on terms consistent with other white label agreements the Company has entered into. The assets disposed principally comprised the customer databases, web domains and brands relating to Chomp Casino, SpinPrincess and Sapphire Rooms, which were all developed in-house. The proceeds of the asset transfer have been used for the Group's working capital requirements to further develop Nektan's business in Europe and our US joint venture, Respin Inc.

North America

Respin LLC, our US joint venture in partnership with Spin Games (which became a subsidiary after the year end), is focussed on mobile on-premise digital gaming, primarily for the Class II tribal gaming market. This important US content category is worth over $33 billion in revenue annually (Source: National Indian Gaming Commission), offering players and casinos the opportunity to play floor-favourite bingo games and slots on mobile devices when in the casino. In the year, Respin's mobile product, Rapid Bingo, has achieved has received approval from the designated independent test lab for release of its "Rapid Games" product, a Class II Mobile in venue gaming solution, adding a multitude of features that improve player engagement and utility. We are encouraged with the interest received from US casinos for Respin's suite of mobile products and will continue to focus on being best-in-class for Class II mobile gaming on a casino's property.

- Nektan increased its ownership of Respin Inc to 85% as additional funding provided beyond that originally anticipated was converted to an increased membership interest, transitioning the business to an operating subsidiary of Nektan from a joint venture

- In January 2016, Respin became the first company to be approved by Apple Inc. for mobile in-venue gaming;
- In June 2016, Respin received approval from the designated independent test lab BMM for release of its Rapid Games. This Class II compliance certification opens the way for tribal jurisdictions to start deploying Rapid Games. The Directors are not aware of any other mobile product that currently has Class II compliance
- As at 30 June, Respin had approvals in over 50 sites across California, Nevada, Washington and Louisiana
- Rapid Games has fast become Respin's core focus, although it continues to offer Xtraspin wheels where positive opportunities are presented

Outlook

In Europe, Nektan continues to focus on accelerating momentum and optimising its casino network, with the selective addition of new partners, high quality casino games and improved features and facilities to keep attracting and retaining players, which we are further building on to deliver profitable growth.

We expect that our North American Respin business, which became an operating subsidiary of the Group after the year end, will increase its installed customer base amongst tribal casinos due to the strength of our product, pipeline and level of interest from potential casino customers. We expect that the work underway on augmenting our innovative and exciting in-venue mobile wagering products, with the addition of new games and player features, will add to this installed base.

The Company is also looking to leverage its assets, expertise and networks across both North America and Europe, to maximise revenue in both businesses and deliver profitable growth to shareholders.

On behalf of the Board, I would like to thank all of Nektan's employees for their continued hard work and commitment.

Leigh Nissim
Chief Executive Officer

NEKTAN PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2016

	Notes	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Revenue	2	5,783	528
Cost of sales		(1,859)	(303)
Gross profit		3,924	225
Marketing, partner and affiliate costs		(4,872)	(724)
Administrative expenses		(7,665)	(7,188)
Other income	4	264	478
Adjusted EBITDA		(5,744)	(5,109)
Exceptional items	3	(1,309)	(1,266)
Depreciation	10	(105)	(224)
Amortisation	9	(1,191)	(603)
Share based payment charges	26	-	(7)
Operating loss	3	(8,349)	(7,209)
Finance income	7	308	1
Finance expense	7	(1,078)	(230)
Share of loss of joint ventures	11	(1,395)	(685)
Loss before taxation		(10,514)	(8,123)
Tax credit/(charge)	8	28	(19)
Loss for the year		(10,486)	(8,142)
Other comprehensive income for the year			
Exchange differences arising on translation of foreign operations which may be reclassified to profit or loss	3	(127)	4
Total comprehensive loss for the year		(10,613)	(8,138)
Earnings per share attributable to the Ordinary equity holders of the parent			
Basic (pence)	6	(44.8)	(39.6)
Diluted (pence)	6	(44.8)	(39.6)

NEKTAN PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 30 June 2016

	Notes	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Non-current assets			
Intangible assets	9	3,200	3,146
Property, plant and equipment	10	148	115
Investments in joint ventures	11	2,256	1,064
		5,604	4,325
Current assets			
Trade and other receivables	12	1,816	1,473
Cash and cash equivalents	13	99	3,396
		1,915	4,869
Total assets		7,519	9,194
Current liabilities			
Trade and other payables	14	4,448	1,442
		4,448	1,442
Non-current liabilities			
Convertible loan notes	16	9,199	5,090
Trade and other payables	15	30	-
Deferred tax	19	17	24
		9,246	5,114
Total liabilities		13,694	6,556
Net (liabilities) / assets		(6,175)	2,638
Equity attributable to equity holder:			
Share capital	18	241	226
Share premium		24,115	22,330
Merger reserve		(2)	(2)
Capital contribution reserve		3,306	3,306
Share option reserve		262	262
Foreign exchange reserve		(183)	(56)
Retained earnings		(33,914)	(23,428)
Total (deficit) /equity		(6,175)	2,638

NEKTAN PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2016

	Share capital	Share premium	Share option reserve	Capital contribution reserve	Merger reserve	Foreign exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 30 June 2014	-	14,824	255	3,306	(2)	(60)	(15,286)	3,037
Loss for the year	-	-	-	-	-	-	(8,142)	(8,142)
Other comprehensive income	-	-	-	-	-	4	-	4
Bonus issue	197	(197)	-	-	-	-	-	-
Issue of shares (net of costs)	29	7,703	-	-	-	-	-	7,732
Share based payments	-	-	7	-	-	-	-	7
At 30 June 2015	226	22,330	262	3,306	(2)	(56)	(23,428)	2,638
Loss for the year	-	-	-	-	-	-	(10,486)	(10,486)
Other comprehensive income	-	-	-	-	-	(127)	-	(127)
Issue of shares (net of costs)	15	1,785	-	-	-	-	-	1,800
At 30 June 2016	241	24,115	262	3,306	(2)	(183)	(33,914)	(6,175)

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 of subscribed for share capital in excess of nominal value.

Capital contribution reserve
Represents:

(a) Nominal value of shares held by a shareholder in a subsidiary Company and contributed to Nektan plc.
(b) The release of the Group's obligation to repay borrowings of £3,304,000.

Merger reserve
The difference between the nominal value of the Nektan (Gibraltar) Limited shares acquired in May 2011 and the nominal value of shares in Nektan plc issued to acquire these shares as part of a Group restructuring.

Foreign exchange reserve
Represents the gains/losses arising on retranslating the net assets of overseas operations into UK Pound Sterling.

Retained earnings
Represents the cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

Share option reserve
Represents the cumulative value of share option charges recorded in the consolidated statement of comprehensive income.

NEKTAN PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2016

	Notes	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Cash flow from operating activities			
Loss for the year		(10,486)	(8,142)
Adjustments for:			
Amortisation of intangible assets	9	1,191	603
Depreciation of property, plant and equipment	10	105	224
Share based payment expense		-	7
Loss on disposal of property plant and equipment	10	20	3
Finance expense	7	1,078	230
Finance income	7	(308)	(1)
Impairment of intangible assets		105	-
Joint venture loan impairment	11	481	-
Impairment of trade receivables	12	263	
Share of loss of joint ventures	11	1,395	685
Income tax expense/(credit)	8	(28)	19
Operating cash flow before movement in working capital		(6,184)	(6,372)
(Increase) in trade and other receivables		(935)	(317)
Increase in trade and other payables		2,375	23
Cash generated used in operations		(4,744)	(6,666)
Cash flow from investing activities			
Purchase of intangible fixed assets	9	(1,350)	(1,909)
Purchase of property, plant and equipment	10	(96)	(24)
Investments in joint ventures	11	(2,587)	(1,749)
Loans to joint ventures	12	(152)	(299)
Net cash used in investing activities		(4,185)	(3,981)
Cash flow from financing activities			
Interest paid		(812)	(92)
Interest received		-	1
Issue of convertible debt (net of costs)	16	4,644	5,525
Proceeds on subscription for shares (net of costs)		1,800	7,732
Net cash generated from financing activities		5,632	13,166
Net (decrease)/ increase in cash and cash equivalents		(3,297)	2,519
Cash and cash equivalents at beginning of period	13	3,396	877
Cash and cash equivalents at end of period	13	99	3,396

1. Accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards including International Accounting Standards ('IASs') and interpretations (collectively 'IFRS') as published by the International Accounting Standards Board ("IASB") which have been adopted by the European Commission and endorsed for use in the EU for the purposes of the Group's full year financial statements.

The consolidated and company financial statements comply with the Gibraltar Companies Act 2014 The financial statements are presented in UK Pound Sterling ('Sterling') and rounded to the nearest £'000. The financial information does not constitute the Group's statutory accounts for the year ended 30 June 2016 or the year ended 30 June 2015 but is derived from those accounts.

Statutory accounts for the year ended 30 June 2016 will be filed with Companies House Gibraltar following the Company's Annual General Meeting. The audit report for the year ended 30 June 2016 includes an emphasis of matter. The auditors draw attention to the fact that in forming their opinion on the financial statements, which is not modified, that they have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Group and the Company's ability to continue as a going concern. The report states that this is dependent on the ability of the directors to successfully raise further funds, the put option held by the Nektan Marketing Services joint venture partner not being exercised as well as other material uncertainties.

The report states that these conditions, along with other matters disclosed in note 1 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Company's and Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company or Group were unable to continue as a going concern.

Going concern

The financial statements have been prepared on a going concern basis. The Group continues to be loss making and in addition funds its capital expenditure and the development of its US joint venture which is also currently loss making. Furthermore, the Group's Joint Venture partner within Nektan Marketing Services Limited ("NMS") has a put option requiring the Group to buy the 50% is does not own for a price based, inter alia, on a multiple of the profits and revenues for the preceding 12 months. The Directors currently do not believe that this put option would be exercised within the next 12 months from the date of approval of the financial statements. If the joint venture partner did elect to exercise the put option within the next 12 months the Group would be required to raise further finance to be able to meet this liability which based on the Directors current best estimates and dependent on a number of factors could be in the region of £4.0m.

On 29 December 2016, the Directors announced a proposed equity fundraising for £2,275,000, subject to approval by the Group's shareholders at the AGM on 27 January 2017 to authorise the directors to issue share capital and disapply pre-emption rights. The Directors have received indications of interest for the full amount and therefore have confidence that the fundraising will be completed.

Additionally the Group has reached agreement with a sufficient proportion of the Convertible Loan Note ("CLN") holders to defer the interest payments on £10.0m of the principal until 2020.

Notwithstanding the above proposed fundraise, deferral of CLN interest and post year-end disposal of certain brands for proceeds of £1.95m, the directors have reviewed forecast cash flows for the forthcoming 12 months from the date of approval of the financial statements and the Directors have identified that the business will require further funding in order to continue as a going concern and to meet their liabilities as they fall due.

The Directors therefore plan to seek additional capital through a combination of fresh equity investment into the business within 2017 as well as possible further asset sales. Having reviewed the forecasts of the business and based on the status of current discussions with regards additional investment and potential asset sales, the Directors have a reasonable expectation to believe that they will be able to raise further capital and therefore it is appropriate to continue to prepare the financial statements on a going concern basis. There are therefore material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the business is unable to raise additional finance it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Adoption of new and revised Standards and Interpretations

There were no new Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that were effective for the first time in the current financial year and had an impact on the Group.

The following relevant standards and interpretations were issued by the IASB or the IFRIC before the year-end but are as yet not effective for the 2016 year-end:

IFRS 9	Financial Instruments (effective date 1 January 2018)
IFRS 15	Revenue Recognition (effective date 1 January 2018)
IFRS 16	Leases (effective date 1 January 2019)

The Group is currently assessing the impact, if any, that these standards will have on its consolidated results and financial position in future periods.

Critical accounting policies, estimates and judgements

The preparation of consolidated financial statements under IFRS 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:

- Revenue recognition (note 1)
- Going concern (note 1)
- Capitalisation of Intangible assets and impairment of goodwill (note 9)
- Fair Value of Derivatives (note 19)

1. Accounting policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial information of the Company and entities controlled by the Company made up to 30 June 2016. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Entities included within the consolidation that have been acquired by the Company are accounted for using acquisition or merger accounting as appropriate.

The consolidated financial statements include the combination of businesses achieved through a Group restructuring that falls outside the scope of IFRS 3 Business Combinations. Accordingly, following the guidance regarding the selection of an appropriate accounting policy provided by IAS 8 Accounting policies: Changes in accounting estimates and errors, these financial statements have been prepared using the principles of merger accounting set out in FRS 6 Acquisitions and Mergers and UK Generally Accepted Accounting Practice ('UK GAAP').

When merger accounting is applied, the investment is recorded in the Company's balance sheet at the nominal value of shares issued together with the fair value of any consideration paid.

In the consolidated financial statements, merged subsidiary undertakings are treated as if they had always been a member of the Group. Any differences between the nominal value of the shares acquired by the Company and those issued by the Company to acquire them are taken to a separate merger reserve.

Where acquisition accounting is applied, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Uniform accounting policies have been adopted across the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Foreign currencies

The consolidated financial statements of the Group are prepared in Sterling, this constitutes the functional and presentational currency. Transactions and balances in foreign currencies are converted into Sterling as follows;

Transactions entered into by the Group in a currency other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on retranslation of unsettled monetary assets and liabilities are recognised immediately in the profit and loss.

On consolidation, the results of overseas operations are translated into Sterling at rates ruling when the transaction 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 the opening rate and the results of overseas

1. Accounting policies (continued)

Operations at the actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

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.

Revenue recognition

Revenue in the current year arises solely from real money gaming.

Net gaming revenue derives from online gambling operations and is defined as the difference between the amounts of bets placed by players less amounts won by players. It is stated after deduction of promotional bonuses.

Net gaming revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognised in the accounting periods in which the transactions occur.

Cost of sales

Cost of sales consists primarily of licensing fees, gaming taxes, regulatory and compliance expenses, merchant fees, chargebacks and platform licensing expenses. All expenses are recognised on an accruals basis and in line with the appropriate revenue.

Marketing, partner and affiliate costs

Marketing, partner and affiliate costs consists primarily of revenue share, commission, affiliate expenses and online and offline advertising.

Other income

Other income consists of research and development taxation credits and certain account set up fees. The income is recognised when receipt is virtually certain.

Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income.

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 which is typically over a period of three years.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual or legal rights. The amounts ascribed to such intangibles are arrived at using appropriate valuation techniques.

In process research and development programmes acquired in such combinations are recognised as an asset even if subsequent expenditure is written off because the criteria specified in the policy for development costs below are not met.

The significant intangibles recognised by the Group, their useful economic lives and methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	***Useful economic life***	***Valuation method***
Developed software	Three years	Replacement cost
Contractual relationships	Term of contract	Discounted cash flows

Internally generated intangible assets (development costs)

Expenditure incurred on development activities including the Group's software development 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 three years. The amortisation expenses are included within administrative expenses 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 the level of performance of an intangible asset, is expensed as incurred.

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 and equipment	-	20 – 33 percent straight-line
Office equipment	-	20 – 33 percent straight-line
Computer equipment	-	33 percent straight-line

Subsequent expenditures are included in the carrying amount of an asset 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 the carrying amount and are included in the consolidated statement of comprehensive income.

Impairment of property, plant and equipment and internally generated assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Goodwill is allocated on initial recognition to each of the Group's CGs that are expected to benefit from the synergies of the combination giving rise to goodwill

Impairment of property, plant and equipment and internally generated assets (continued)

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, cash equivalents and loans to joint ventures.

Derivative financial assets, including call options, are recognised initially at their fair value, and subsequently re-measured at each balance sheet date, with the fair value gain or loss taken to the income statement.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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

Cash and cash equivalents

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

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss or as financial liabilities measured at amortised cost, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

The measurement of financial liabilities depends on their classification: (i) financial liabilities at fair value through profit or loss, including put options, are carried on the balance sheet at fair value with gains or losses recognised in the income statement; and (ii) financial liabilities measured at amortised cost are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in interest and other revenues and finance costs. The Group derecognises a financial liability from its balance sheet when the obligation specified in the contract or arrangement is discharged, cancelled or expires.

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.

Convertible debt

Where the convertible debt issued coverts into a variable number of shares the proceeds received on issue are allocated between the derivative financial liability and the host debt based upon their fair values. Subsequently the conversion option is measured at fair value through profit and loss and the debt component and as a financial liability measured at amortised cost until extinguished on conversion or maturity of the debt.

Transaction costs directly attributable to the raising of convertible debt are allocated across the derivative financial liability component and the debt liability component. Transaction costs allocated to the derivative financial liability component are expensed to the income statement as they are incurred. Transaction costs allocated to the debt liability component are deducted from the residual value recognised as the debt liability on recognition.

Share capital

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 or financial asset.

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.

Tax losses arising as a result of research and development expenditure and subsequently surrendered for tax credit are recognised within other income and as another debtor.

Deferred tax

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

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

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

Deferred tax is not discounted.

Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Group (a 'finance lease'), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the consolidated statement of comprehensive income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an 'operating lease'), the total rentals payable under the lease are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Share based payments

Where equity-settled share options are awarded to employees or service providers, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive income is charged with the fair value of goods and services received.

Adjusted EBITDA

The Group defines adjusted EBITDA as the operating result before depreciation, amortisation, income or expenditure relating to exceptional items and non-cash charges relating to share based payments and impairments. Exceptional items are considered to be one-off non trading items.

Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control; that is, when the strategic, financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

The Group reports its interests in jointly controlled entities using the equity method of accounting. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of the investment. Losses of a joint venture in excess of the Group's interest in that investment are not recognised. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

2. Segmental information

The accounting policies of the reportable segments follow the same policies as described in Note 1. Segment result represents the gross profit earned by each segment without allocation of the share of administration costs including Directors' salaries, finance costs and income tax expense. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance. Administration expenses comprise principally the employment and office costs incurred by the Group.

Following the group's decision to focus on real money gaming, all of the group's results for the year ended 30 June 2016 derive from one segment, that of real money gaming.

Year ended 30 June 2015	Real money gaming £'000	Content licensing and revenue share £'000	Software development £'000	Total £'000
Net revenue	385	29	114	528
Cost of sales	(303)	-	-	(303)
Marketing partner and affiliate costs	(724)	-	-	(724)
Segment result	(642)	29	114	(499)
Administration costs				(7,188)
Other income				478
Net finance expense				(229)
Share of loss of joint ventures				(685)
Taxation				(19)
Loss for the year				(8,142)

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

Geographical analysis of non-current assets

The following table provides an analysis of the Group's non-current assets, excluding goodwill and investments in equity accounted joint ventures, by geographical segment:

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Gibraltar	2,383	2,282
UK	12	59
India	34	-
US	-	1
	2,429	2,342

Geographical analysis of revenues

The following table provides an analysis of the Group's revenue by geographical segment:

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Gibraltar	37	112
UK	5,611	389
Rest of the World	135	27
	5,783	528

Information about major customers

During the year ended 30 June 2016 the Group had one customer which generated revenue greater than 10% of total net revenue (2015:one). The customer generated revenue of £1,517,000 representing 26% of total net revenue, (2015: 14%).

3 Operating Loss

Operating loss has been arrived at after charging/(crediting):

	Year ended 30 June 2016	Year ended 30 June 2015
	£'000	£'000
Staff costs (Note 5)	2,917	2,787
Auditor's remuneration:		
Audit of the Company's annual accounts	49	43
Audit of the subsidiaries annual accounts	31	31
Other assurance services	4	6
Tax compliance services	5	2
Other non-audit services	10	50
Rent payable under operating leases	277	287
Amortisation	1,191	603
Depreciation	105	224
Loss on disposal	20	3
Gain on foreign exchange	(160)	(4)
Exceptional items	1,309	1,266

During the year, the Group has incurred certain costs of a significant and one off nature that warrant separate disclosure. Included within exceptional items are:

	Year ended 30 June 2016	Year ended 30 June 2015
	£'000	£'000
Write off of loan from joint venture (note 11)	481	-
Write off of trade receivable (note 12)	263	-
Fundraising and listing costs	106	1,266
Provision for onerous contracts	205	-
Impairment of intangible assets (note 9)	105	-
Termination payments	149	
Total	1,309	1,266

Fundraising and listing costs incurred in the year ended 30 June 2016 relate primarily to professional costs incurred in relation to the raising of convertible loan notes and equity funding in the year. In the year ended 30 June 2015 fundraising and listing costs related to professional costs incurred in the Group's listing on AIM, raising of convertible loan notes and equity funding.

Where the unavoidable costs under a contract exceed the economic benefit expected to be received from that contract, the Group recognises a provision for the present value of the obligations under the contract. A provision has been recognised in the year ended 30 June 2016 for onerous contracts with a payment processor and a professional services provider.

Termination payments made to former directors of the Group have been recognised as an exceptional expense in the year ended 30 June 2016.

4. Other income

	Year ended 30 June 2016	Year ended 30 June 2015
R&D tax credit	154	338

Other Income	110	140
	264	478

5. Staff costs

	Year ended 30 June 2016	Year ended 30 June 2015
The average number of employees (including Directors) employed was:		
Management	5	5
Administration and technical staff	62	62
	67	67

	Year ended 30 June 2016	Year ended 30 June 2015
	£'000	£'000
The aggregate remuneration of the above employees comprised (including Directors):		
Wages and salaries	3,238	3,510
Social security costs	255	318
Pension costs	49	34
Benefits in kind	222	107
	3,764	3,969
Staff costs capitalised in respect of internally generated intangible assets	(847)	(1,182)
	2,917	2,787

In the statement of comprehensive income, total staff costs are included within administrative expenses.

6. Loss per share

Basic loss per share is calculated by dividing the loss attributable to Ordinary shareholders by the weighted average number of Ordinary shares outstanding during the year.

	Year ended 30 June 2016	Year ended 30 June 2015
Basic and diluted		
Loss after tax (£'000)	(10,486)	(8,142)
Weighted average number of shares	23,356,131	20,559,033
Weighted average loss per share (pence)	(44.8)	(39.6)

The result for the year ended 30 June 2016 as well as the other period presented was a loss and therefore there was no difference between the basic and diluted loss per share. The group has convertible loan notes, share options and warrants which are all potentially dilutive. After the year end, the Group has raised further equity capital. Further details are given in note 22.

7. Finance income and costs

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Finance income		
Gain on movement in fair value of derivative financial instruments	308	
Interest income	-	1
Total finance income	308	1
Finance expense		
Loss on movement in far value of derivative	-	(43)
Interest payable	(1,078)	(187)
Total finance costs	(1,078)	(230)

8. Taxation

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Current tax		
Adjustment in respect of prior years	(21)	39
Deferred tax	(7)	(20)
Tax charge / (credit) on loss on ordinary activities	(28)	19

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

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Factors affecting tax charge for year:		

The tax assessed for the relevant period is higher than the average standard rate of corporation tax in Gibraltar of 10 percent (2015: 10 percent). The differences are explained below:

Loss before taxation	(10,514)	(8,123)
Loss before taxation multiplied by the average standard rate of tax in the year of 10 percent (2015: 10 percent).	(1,051)	(812)
Effects of:		
Expenses not deductible for tax purposes	129	129
Adjustments in respect of prior period	(21)	-
Other tax differences	20	39
Current year tax losses not recognised	902	715
Income not taxable	-	(31)
Deferred tax credit on acquired intangibles	(7)	(8)
Deferred tax movement		(12)
Tax charge / (credit) for year	(28)	19

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

	Year ended 30 June 2016	Year ended 30 June 2015
	£'000	£'000
Corporation tax losses carried forward	28,651	19,871

In addition, the Group has an unrecognised deferred tax asset in respect of losses which do not expire as follows:

	Year ended 30 June 2016	Year ended 30 June 2015
	£'000	£'000
Tax losses carried forward	2,865	2,053
	2,865	2,053

9. Intangible assets

	Development software	Licence fees	Computer software	Goodwill	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 July 2014	808	88	239	919	2,054
Additions	1,909	-	-	-	1,909
Disposals	-	-	(3)	-	(3)
At 30 June 2015	2,717	88	236	919	3,960
Additions	1,350	-	-	-	1,350
At 30 June 2016	4,067	88	236	919	5,310
Accumulated amortisation					
At 1 July 2014	37	88	86	-	211
Charge for the year	563	-	40	-	603
At 30 June 2015	600	88	126	-	814
Impairment charge (note 3)	105	-	-	-	105
Charge for the year	1,153	-	38	-	1,191
At 30 June 2016	1,858	88	164	-	2,110
Net book value					
At 1 July 2014	771	-	153	919	1,843
At 30 June 2015	2,117	-	110	919	3,146
At 30 June 2016	2,209	-	72	919	3,200

Development software primarily relates to development expenditure on software and applications that have been developed and generated internally. Management judgement is required in determining the useful economic life of development software and computer software intangible assets.

Impairment
During the year, an impairment charge of £105k has been recognised in respect of certain capitalised development costs. The development costs related to a project that has been cancelled in the year.

In accordance with IAS 36 Impairment of Assets, the Group regularly monitors the carrying value of its intangible assets. A detailed review was undertaken at 30 June 2016 to assess whether the carrying value of assets was supported by the net present value of future cashflows derived from those assets. The recoverable amount of the cash generating unit attributable intangible assets of £3,961,000 (2015: £20,864,000) has been determined using a value in use calculation. The calculation of the value in use is based on a 5 year forecast model containing assumptions including the following key items:

- Discount rate of 20 percent
- Cashflows in FY17 and FY18 based on the board approved budgets
- Terminal Growth rate of 2 percent

These assumptions were based upon management's estimates based on their experience, as well as industry data where available. The key assumptions that would need to change in order for an impairment to arise is the application of a discount rate of 36%.

10. Plant, property and equipment

	Computer equipment £'000	Office equipment £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost				
At 1 July 2014	583	52	24	659
Additions	20	4	-	24
At 30 June 2015	603	56	24	683
Additions	156	1	1	158
Disposals	(16)	(16)	(4)	(36)
At 30 June 2016	743	41	21	805
Accumulated depreciation				
At 1 July 2014	324	9	11	344
Charge for the year	193	21	10	224
At 30 June 2015	517	30	21	568
Charge for the year	99	5	1	105
Eliminated on disposal	(12)	-	(4)	(16)
At 30 June 2016	604	35	18	657
Net book value				
At 30 June 2014	259	43	13	315
At 30 June 2015	86	26	3	115
At 30 June 2016	139	6	3	148

11. Joint ventures

The following entities meet the definition of a joint venture and have been equity accounted in the consolidated financial statements:

Name	Country of incorporation	Proportion of voting rights held	Nature of business
Broadcast Gaming Limited	Gibraltar	50%	Freemium gaming services

ReSpin Games LLC	USA	50%	Gaming software development
Nektan Marketing Services	England and Wales	50%	Online marketing services

	2016 £'000	2015 £'000
At 1 July	1,064	-
Additions	2,587	1,749
Share of losses	(1,395)	(685)
At 30 June	2,256	1,064

Aggregated amounts relating to joint ventures are as follows:

	Broadcast Gaming Limited £'000	ReSpin Games LLC £'000	Nektan Marketing Services £'000
For the year ended 30 June 2016:			
Non-current assets	-	421	37
Current assets	251	41	200
Total liabilities	499	765	67
Net assets/(liabilities)	(248)	(303)	170
Group's share of net assets/(liabilities)	(115)	(152)	85
Revenues	-	50	252
Profits / (Loss)	(18)	(3,020)	230

During the year, the Group contributed a further £18k to Broadcast Gaming Limited. The share of losses of the Broadcast Gaming Limited have not been recognised as they would reduce the investment below zero. The Group's share of losses totalled £133,000. The business is not trading and the outstanding loans to the joint venture of £481k was impaired in the year.

During the year, the Group contributed a further £2,587k to its joint venture partner, ReSpin Games LLC, which is included in the cost of investments. The share of losses of the joint venture totalling £1,510 have been deducted from the investment to leave a carrying value of £2,142k.

During the year, the Group became a joint venture partner in Nektan Marketing Services ("NMS"). No equity investment was made and the Groups share of the profit for the period has been included in the cost of investments. The group's joint venture partner has a put option in respect of its 50% holding at a price based on the sum of 7 times revenue for the proceeding 12 month period and 12 times trailing EBITBA if exercised between 1 October 2017 and 1 October 2018 or 15 times trailing EBITDA if exercised between 1 October 2018 and 1 October 2019. The Directors believe that this option has a negligible fair value. Based on current estimates, the Directors believe that the cost if the put option was exercised in October 2017, which is the earliest the option could be exercised, would be £4.0m.

12 Trade and other receivables

	At 30 June 2016 £'000	At 30 June 2015 £'000
Loan to joint ventures	134	463
Trade Receivables	1,078	788
Prepayments and other debtors	604	222
	1,816	1,473

12. Trade and other receivables (continued)

In the year an impairment charge of £263k was recognised in the income statement relating to trade receivables that are not recoverable and of £481k relating to joint venture loans not recoverable.

The ageing of receivables that are past due but not impaired is shown below, these relate to customers with no default history:

	At 30 June 2016	At 30 June 2015
	£'000	£'000
Between one and two months	10	4
Between two and three months	6	-
More than three months	3	-
	19	4

In determining the recoverability of receivables the Group considers any change in the credit quality of the receivable from the date credit was granted up to the reporting date.

The Group utilises one principal payment service provider that processes approximately 50% (2015:80%) of the Groups payment receipts. The amount outstanding from this payment service provider at 30 June 2016 was £487k (30 June 2015: £126k)

The Directors consider that the carrying amount of the trade receivables, other receivables and the loan to the joint ventures approximate to their fair value due to their short term maturity. 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.

13 Cash and cash equivalents

	At 30 June 2016	At 30 June 2015
	£'000	£'000
Cash in bank accounts	99	3,396

Interest is earned at floating rates on cash held on short-term deposit. All of the Group's cash and cash equivalents are held with major UK, Gibraltar or US banks.
The following cash and cash equivalent amounts were held in foreign currencies. The remaining balance was denominated in UK Pound Sterling (£).

	At 30 June 2016	At 30 June 2015
	£'000	£'000
United States Dollars	13	16
Euros	5	-
Indian Rupees	34	-
	52	16

The Directors consider that the carrying value of cash and cash equivalents is approximate to their fair value.

14 Trade and other payables

	At 30 June 2016	At 30 June 2015
	£'000	£'000
Trade payables	1,416	427
Other payables	639	210
Accruals	1,309	370
Finance lease obligations	27	-
Derivative financial liability	1,057	435
	4,448	1,442

Player balances represent amounts due to customers including net deposits received, undrawn winnings and certain promotional bonuses. Player balances for the year ended 30 June 2016 are £186,000 (2015 £22,000) and are included in other payables above. The Group's policy is to ensure that these balances are fully covered by either cash or by funds held with payment processors.

The derivative financial liability relates to the fair value derivative component of the convertible loan notes issued in the current and prior year. Details of the convertible loan notes issued by the Group in the year can be found in Note 16.

The Directors consider that the carrying value of trade and other payables is approximate to their fair value.

15 Finance lease creditor

During the year the group entered into finance leases for computer equipment with a net book value of £62k, (2015: £nil). The lease is classed as a finance lease as the lease period is equal to the estimated economic life of the assets and the Group will own the equipment at the end of the lease.

Future lease payments are as follows:

	Minimum lease payments £'000	Interest £'000	Present value £'000
Not later than one year	29	2	27
Between one year and five years	32	2	30
	61	4	57

16 Convertible Loan Notes

During the year the Company raised gross proceeds before costs of £5,271k through the issue of convertible loan notes. The conversion price is at a 25% premium to the price at which the ordinary shares were last issued prior to the issue of the convertible loan notes, subject to a maximum conversion price. The maximum conversion price is subject to rebasing in the event of a share issue. At the balance sheet date, the maximum conversion price was 101.25p. Interest of 10 percent per annum is payable quarterly in arrears. Any notes that have not been converted will be redeemed in full on 28 April 2020. The notes can be converted at any time by the loan note holders through to 28 April 2020. See note 22 for further details.

	At 30 June 2016 £'000	At 30 June 2015 £'000
Convertible loan notes	9,199	5,090
Non-current liabilities	**9,199**	**5,090**

The number of shares that will be issued upon conversion of the notes are variable and therefore on recognition the proceeds received from the issue of the notes, net of directly attributable transaction costs, have been allocated between the derivative financial liability based upon the fair values on inception of the conversion option and the host debt.

The debt component has subsequently been measured at amortised cost based on an effective interest rate of 13.56% for Tranche 1, 13.61% for Tranche 2, 19.11 % for Tranche 3 and 19.98% for Tranche 4. The difference between the carrying amount of the liability component at the date of issue and the amount reported at 30 June 2016 represents the effective interest rate less the interest paid to that date

The derivative financial liability has been revalued at the balance sheet date (note 14), which has resulted in a fair value gain to the income statement of £308,000 (2015: loss of £43,000). Due to the equity raise during the year, the conversion price of the CLN rebased to £1.02.

Transaction costs directly attributable to the issue of the convertible loan notes amounted to £627,000

17 Subsidiaries

Details of the Group's subsidiaries as at 30 June 2016 are set out below:

Name	**Country of incorporation**	**Proportion of voting rights and Ordinary share capital held**	**Nature of business**
Nektan UK Limited	United Kingdom	100%	Mobile software development
Nektan Gibraltar Limited	Gibraltar	100%	Internet gaming services
Nektan America Limited	USA	100%	Commercial development
Nektan USA Inc	USA	100%	Internet gaming services
Nektan Gaming Technologies Private Limited	India	100%	Mobile software development

18 Share capital

	Ordinary shares number	**Ordinary shares £**
Allotted, issued and fully paid		
At 1 July 22014	18,829,956	19
Issued during the year	858,400	1
Bonus Issue	196,863,871,644	196,864
Total before rebasing (nominal value per share £0.000001)	196,883,560,000	196,884
Total after rebasing (nominal value per share £0.01)	19,688,356	196,884
Issued during the year	2,886,021	28,860
At 30 June 2015	22,574,377	225,744
Issued during the year	1,528,211	15,282
At 30 June 2016	24,102,588	241,026

The issued and fully paid share capital of the Group amounts to £241,026 and is split into 24,102,588 ordinary shares.

On 30 September 2014, by resolution of the members of the Company, the sum of £196,863 being part of the share premium account was capitalised and the Directors were authorised to make a bonus issue of 196,863,871,644 Ordinary shares to the members of the Company at the rate of 9,999 new shares for every one existing share held by them. Conditional upon the Directors exercising their authority pursuant to this, the 196,863,871,644 Ordinary shares were consolidated and divided into 19,688,356 new Ordinary shares of £0.01 each.

Authorised share capital

The authorised share capital of the Company is £1,000,000 divided into 100,000,000 Ordinary Shares (2015: 100,000,000) of which 24,102,588 Ordinary shares have been issued, credited as fully paid (2015: 22,574,377).

Options
At 30 June 2016, the total number of share options granted is 579,835 (2015:579,835)

19 Deferred tax liability

	Total
	£'000
At 30 June 2014	44
Credited to the income statement on amortisation of acquired intangibles	(8)
Charged to the income statement in respect of accelerated capital allowances	(12)
At 30 June 2015	24
Credited to the income statement on amortisation of acquired intangibles	(7)
Charged to the income statement in respect of accelerated capital allowances	-
At 30 June 2016	17

There is no deferred tax arising in respect of other comprehensive income.

20 Financial instruments and risk management

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.

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 and currency risk.

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

- Trade and other receivables
- Trade and other payables
- Convertible loan notes and derivatives
- Cash and cash equivalents
- Finance leases
- Put and call option in respect of Nektan Marketing Services

Financial assets
The Group held the following financial assets:

	At 30 June 2016 £'000	At 30 June 2015 £'000
Loans and receivables:		
Cash and cash equivalents	99	3,396
Trade and other receivables	1,309	788
Loans to joint venture partners	134	463
	1,542	4,647

The Directors are of the view that the put and call option for NMS has a negligible fair value.

Financial liabilities
The Group held the following financial liabilities:

	At 30 June 2016 £'000	At 30 June 2015 £'000
Amortised cost:		
Trade payables	1,416	427
Other payables	639	210
Accruals	1,309	370
Finance lease obligations	57	-
Convertible loan notes	9,199	5,090
	12,620	6,097

	At 30 June 2016 £'000	At 30 June 2015 £'000
Fair value through profit and loss:		
Derivative financial liability	1,057	435
	1,057	435

Financial instruments not measured at fair value within the financial statements
Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables and convertible loan notes.

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables and convertible loan notes approximate their fair value.

Financial Instruments Measured at Fair Value
Included in level 3 of the fair value hierarchy is derivative financial liabilities, which is carried at fair value through profit and loss and therefore movements in fair value are recognised in the income statement through finance expenses. No other financial instruments are measured at fair value through profit and loss. There have been no transfers between levels in any of the above periods.

The valuation technique used in determining the fair value measurement of derivative financial liabilities was the Black Scholes model. The significant unobservable input in this valuation model is the expected date of conversion, volatility and dividend yield. At year-end, these inputs were as follows:

- Expected date of conversion- 2.8 years (2015 2.8 years) from year-end
- Volatility- 50.0% (2015 : 23.4%)
- Dividend Yield- 0% (2015 : 0%)

20. Financial instruments and risk management (continued)

Financial instruments not measured at fair value within the financial statements (continued)

The reconciliation of the opening and closing fair value balance of level 3 financial liabilities is as follows:

Derivative

	Financial Liability £'000
As at 1July 2014	-
Issues	392
Total losses in profit or loss	43
As at 30 June 2015	435
Issues	930
Total gains in profit or loss	(308)
As at 30 June 2016	1,057

Management controls and procedures
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.

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

20. Financial instruments and risk management (continued)

Foreign currency risk management
The Group has minimal exposure to foreign currency risk, and consequently no sensitivity analysis has been prepared.

The Board carefully monitors exchange rate fluctuations and reviews their impact on the net assets and position of the Group and seeks to economically hedge the impact of foreign exchange by holding sufficient cash in the relevant currencies. The Group does not enter into any derivative financial instruments to manage its exposure to foreign currency risk.

All trade and other receivable are denominated in Sterling.

Interest rate risk management
The Group has minimal exposure to interest rate risk. During the year to 30 June 2015 the Group was exposed to interest rate risk on some of its financial assets, being cash held on bank deposit. The interest rate receivable on these balances was at a rate less than 0.1 percent (2015: less than 0.1 percent). The Directors currently believe that interest rate risk is at an acceptable level.

Due to its minimal 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.

See note 12 for further details on credit risk. In the year impairment charges of £263k and £481k, relating to trade receivables (see Note 12) and loans from joint ventures (see Note 11) respectively, have been recognised in the income statement.

20. Financial instruments and risk management (continued)
The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk.

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 period. Management considers the above measures to be sufficient to control the credit risk exposure.

Liquidity risk management
Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. This risk relates to the Group's prudent liquidity risk management and implies maintaining sufficient cash. 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.

Maturity of financial liabilities
The following table sets out the non-discounted contractual maturities of financial liabilities:

Year ended 30 June 2016	**One year or less £'000**	**Two to five years £'000**	**Five years and over £'000**	**Total £'000**
Trade payables	1,416	-	-	1,416
Other payables	639	-	-	639
Accruals	1,309	-	-	1,309
Finance lease obligations	29	32	-	61
Derivative financial liability	1,057	-	-	1,057
Convertible loan notes	1,110	12,926	-	14,036
	5,560	12,958		18,464

Year ended 30 June 2015	**One year or less £'000**	**Two to five years £'000**	**Five years and over £'000**	**Total £'000**
Trade payables	427	-	-	427
Other payables	210	-	-	210
Accruals	370	-	-	370
Derivative financial liability	435	-	-	435
Convertible loan notes	583	7,674	-	8,347
	2,025	7,764	-	9,789

Capital management
The Group is currently funded principally through shareholders' funds and convertible loan notes. During the year ended 30 June 2016, £4,644k (net of costs) was raised through convertible loan notes and £1,800k (net of costs) through further equity issues. Details of the convertible loan notes of the Group can be found in Note 16.The Board will consider whether debt or equity financing is more appropriate and proceed accordingly. The Group is not subject to any externally imposed capital requirements.

Fair value estimation
The carrying value less impairment provision of trade 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. The risk in respect of fair value estimation is in respect of acquisition accounting.

21 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

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

	Year ended 30 June 2016	Year ended 30 June 2015
	£'000	**£'000**
The aggregate remuneration comprised:		
Wages and salaries	479	252
Fees	54	55
Payment for loss of office	181	-
Benefits in kind	9	9
	723	316

The following related party transactions took place during the period:

During the year the following directors had transactions in Company's Convertible Loan Notes :

Gary Shaw Invested £300,000 in the convertible loan notes on the same terms as all other loan note holders and received interest of £10,000 and had a balance outstanding at 30 June 2016 of £300,000

Jim Willkinson Invested £250,000 in the convertible loan notes on the same terms as all other loan note holders and received interest of £8,333 and had a balance outstanding at 30 June 2016 of £250,000

Venture Tech Assets (a company controlled by Sandeep Reddy) invested £1,000,000 in the convertible loan notes on the same terms as all other note holders and received interest of £33,333 and had a balance outstanding at 30 June 2016 of £1,000,000

During the year, the Group contributed a further £2,587,000 to its joint venture partner, ReSpin Games LLC, which is included in the cost of investments and a loan of £134,000. The share of losses of the joint venture totalling £1,510,000 have been deducted from the investment to leave a carrying value of £2,142,000 (2015 :£ 962,000).

During 2016, the Group loaned a further £18,000 (2015: £299,000) to Broadcast Gaming Limited, a joint venture of Nektan Plc. The total balance as at 30 June 2016 was £Nil (2015: £463,000). The amount due of £481k was fully impaired at the year-end.

During 2016 Nektan Marketing Services (a joint venture) invoiced the Group £318,000 (2015 : £ Nil) of which £102,000 (2015 : £Nil) was outstanding at the year end.

A Director and shareholder of Nektan plc, loaned the Company £270,000 during the 30 June 2015 financial year. The loan was repaid with accrued interest of £15,000 by 30 June 2015.

A Non-executive Director and shareholder of Nektan plc, loaned the Company £50,000 during the 30 June 2015 financial year. The loan was repaid with accrued interest of £800 by 30 June 2015.

During the year ended 30 June 2015, the Group received loans from a shareholder totalling £1,370,000 which was subsequently converted to Ordinary shares. Prior to conversion interest of £31,000 was charged.

During the year ended 30 June 2015 a non-executive director provided consultancy services to the Group through a service company in relation to the admission to trading on AIM amounting to £45,000. The amount outstanding at 30 June 2015 was £Nil.

22 Post-balance sheet events

Post year end, the Group sold three casino brands for total proceeds of £1.95m in cash to Buckingham HMB LLP. A director's wife has a 8.45% interest in Buckingham HMB LLP and is also a designated member of the LLP.

On 28 December 2016, the Directors announced a proposed equity fundraising for £2,275,000, subject to approval by the Group's shareholders at the AGM on 27 January 2017 to authorise the directors to issue share capital and disapply pre-emption rights. The Directors have received irrevocable undertakings to vote in favour of the resolutions from shareholders representing approximately 56% of the Group's shares and accordingly the Directors believe that the proposals will be approved.

Additionally, on 21 December 2016 the Group has reached agreement with a sufficient proportion of the Convertible Loan Note ("CLN") holders to defer the interest payments on £10.0m of the principal until 2020.

On 21 December 2016, the Group increased its ownership in ReSpin from 50% to 85% as additional funding provided beyond that originally anticipated was converted to an increased membership interest, transitioning the business to an operating subsidiary of Nektan from a joint venture. Due to the close proximity to the financial statements being issued the initial accounting for the acquisition accounting is not yet complete.

23 Ultimate parent undertaking

The directors consider that there is no ultimate controlling party.

24 Operating leases

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

Land and buildings	**At 30 June 2016 £'000**	**At 30 June 2015 £'000**
Operating leases		
Expiring less than one year	260	229
Expiring between one and two years	93	70
Expiring between two and five years	193	207
	546	506

25 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.

26 Share based payments

Service providers

During the year ended 30 June 2015 and prior years 579,835 shares were granted to service providers. In the current year, no further options have been issued. The options issued after 30 June 2014 are exercisable at any time prior to their expiry five years from issue. The options issued prior to 30 June 2014 were exercisable immediately after grant.

	2016 Weighted average exercise price (p)	**2016 Number**	**2015 Weighted average exercise price (p)**	**2015 Number**
Outstanding 1 July	1.05	579,835	0.91	521,218

Granted during the year	-	-	2.36	58,617
Outstanding at 30 June	1.05	579,835	1.05	579,835

The exercise price of options outstanding at 30 June 2016 ranged between £0.01 and £2.36 (2015: ranged between £0.01 and £2.36) and their weighted average contractual life was three years seven months (2014: three years four months).

The weighted average fair value of each option granted during the prior period was £0.02.

The following information is relevant in the determination of the fair value of options granted to date. No options were granted in the year ending 30 June 2016.

	Year ended 30 June 2015
Option pricing model used	Black-Scholes
Share price at date of grant	£1.90
Exercise price (weighted average)	£2.36
Option life (years)	0.6
Risk free rate	0.89%
Expected volatility	23.4%
Expected dividend yield	Nil

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of monthly share prices.

NEKTAN PLC
PARENT COMPANY BALANCE SHEET
For the year ended 30 June 2016

	Notes	**2016 £'000**	**2016 £'000**	**2015 £'000**	**2015 £'000**
Fixed assets					
Intangible assets	ii		2,211		2,089
Investments	iii		8,036		12,827
			10,247		14,916
Current assets					
Debtors	iv	7,104		5,707	
Cash at bank and in hand		30		3,196	
		7,134		8,903	
Creditors: amounts falling due within one year	v	(4,911)		(3,416)	
Net current assets			2,223		5,487
Total assets less current liabilities			12,470		20,403
Creditors: amounts falling due after more than one year	vi		(9,199)		(5,090)

Net assets		3,271	15,313
Called up share capital	vii	241	226
Share premium	viii	24,115	22,330
Share option reserve	viii	262	262
Profit and loss account	viii	(21,347)	(7,505)
Shareholders' funds		3,271	15,313

NEKTAN PLC
PARENT COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2016

	Share capital £'000	Share Premium £'000	Share option reserve £'000	Retained earnings £'000	Total equity £'000
At 30 June 2014	-	14,824	255	(2,818)	12,261
Loss for the year	-	-	-	(4,687)	(4,687)
Rebasing of shares	197	(197)	-	-	-
Issue of shares	29	7,703	-	-	7,732
Share based payments	-	-	7	-	7
At 30 June 2015	**226**	**22,330**	**262**	**(7,505)**	**15,313**
Loss for the year	-	-	-	(13,842)	(13,842)
Rebasing of shares	-	-	-	-	
Issue of shares	15	1,785	-	-	1,800
Share based payments	-	-	-	-	
At 30 June 2016	**241**	**24,115**	**262**	**(21,347)**	**3,271**

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
Share option reserve	Represents the cumulative value of share option charges recorded in the condensed consolidated statement of comprehensive income
Retained earnings	Represents the cumulative net gains and losses recognised in the consolidated statement of comprehensive income

i. Basis of preparation

The financial statements have been prepared in accordance with FRS 102 The Financial Reporting Standard applicable in Gibraltar.

The following exemptions have been taken in applying FRS 102:

- No cash flow statement has been presented for the parent company.

The financial statements comply with the Gibraltar Companies Act 2014. The financial statements are presented in UK Pound Sterling ('Sterling') and rounded to the nearest £'000.

Accounting policies

The financial statements have been prepared on a historical cost basis, other than for the valuation of certain financial instruments which are held at their fair value. Under section 288(2) of the Gibraltar Companies Act 2014, the Company is exempt from the requirement to present its own statement of comprehensive income. The loss for the year ended 30 June 2016 is £13,841,268 (2015: £4,686,727).

These financial statements present the results of Nektan plc for the year ended 30 June 2016.

Foreign currencies
Transactions denominated in foreign currencies are recorded at exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Any gain or loss arising from a change in exchange rates subsequent to the date of the initial transaction is included as an exchange gain or loss in the profit and loss account, except where financing of a foreign subsidiary through long-term loans is intended to be as permanent as equity. Such balances are treated as part of the net investment and any exchange differences are recorded in reserves.

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 which is typically over a period of three years.

Internally generated intangible assets (development costs)
Expenditure incurred on development activities including the Company's software development is capitalised only where the expenditure will lead to new or substantially improved products, the products are technically and commercially feasible and the Company has sufficient resources to complete development.

Capitalised development costs are amortised over three years. The amortisation expenses are included within administrative expenses 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 the level of performance of an intangible asset, is expensed as incurred.

Investments
Investments held as fixed assets are stated at cost, less any provision for impairment in value.

Trade debtors
Trade debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Appropriate provisions for estimated irrecoverable amounts are

recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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

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

Trade and other creditors
Trade creditors 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 creditor.

Convertible debt
In accordance with FRS 102 the company has the opted to follow IFRS for the presentation, recognition and measurement of financial instruments.

Where the convertible debt issued coverts into a variable number of shares the proceeds received on issue are allocated between the derivative financial liability and the host debt based upon their fair values. Subsequently the conversion option is measured at fair value through profit and loss and the debt component and as a financial liability measured at amortised cost until extinguished on conversion or maturity of the debt.

Transaction costs directly attributable to the raising of convertible debt are allocated across the derivative financial liability component and the debt liability component. Transaction costs allocated to the derivative financial liability component are expensed to the income statement as they are incurred. Transaction costs allocated to the debt liability component are deducted from the residual value recognised as the debt liability on recognition.

Taxation
Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Share based payments
Where equity-settled share options are awarded to employees or service providers, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the consolidated statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive income is charged with the fair value of goods and services received.

ii. Intangible assets

	IT development £'000
Cost	
At 1 July 2014	809
Additions	1,880
Disposals	-
At 30 June 2015	2,689
Additions	1,349
At 30 June 2016	4,038
Accumulated amortisation	
At 1 July 2014	37
Charge for the year	563
At 30 June 2015	600
Charge for the year	1,227
At 30 June 2016	1,827
Net book value	
At 1 July 2014	772
At 30 June 2015	2,089
At 30 June 2016	2,211

iii. Investments

	Investments in subsidiaries		**Investments in joint ventures**		**Total investments**	
	At 2016 £'000	**At 2015 £'000**	**At 2016 £'000**	**At 2015 £'000**	**At 2016 £'000**	**At 2015 £'000**
As at 1 July 2015	11,078	11,078	1,749	-	12,827	11,078
Additions	-	-	2,587	1,749	2,587	1,749
Impairments	(7,378)		-		(7,378)	-
As at 30 June 2016	3,700	11,078	4,336	1,749	8,036	12,827

Having completed a full impairment review, the directors have impaired the cost investment in subsidiaries by £7,378k.

The Company's investments represents interest in:

Name	Nature of investment	Country of incorporation	Proportion of voting rights and Ordinary share capital held	Nature of business
Nektan UK Limited	Subsidiary	England and Wales	100%	Mobile software development
Nektan Gibraltar Limited	Subsidiary	Gibraltar	100%	Internet gaming services
Nektan America Limited	Subsidiary	USA	100%	Commercial development
Nektan USA Inc	Subsidiary	USA	100%	Dormant
Nektan Gaming Technologies Private Limited	Subsidiary	India	100%	Mobile Software Development
Broadcast Gaming Limited	Joint venture	Gibraltar	50%	Freemium gaming services
ReSpin Games LLC	Joint venture	USA	50%	Gaming software development
Nektan Marketing Services	Joint Venture	England and Wales	50%	Online marketing

Details of the investment in joint ventures of the Group can be found in Note 11 of the consolidated financial statements.

iv. Debtors

	At 30 June 2016	At 30 June 2015
	£'000	£'000
Amounts due from Group companies	6,829	5,192
Other debtors and prepayments	141	515
Loans to joint ventures	134	-
	7,104	5,707

v. Creditors

	At 30 June 2016	At 30 June 2015
	£'000	£'000
Trade creditors	604	200
Other creditors	48	5
Amounts due to Group companies	3,034	2,629
Accruals and deferred income	168	147
Derivative financial liability	1,057	435
	4,911	3,416

The derivative financial liability relates to the issue of convertible loan notes.

vi. Creditors falling due after 12 months

Creditors falling due after 12 months relates solely to the convertible loan notes. Details of the convertible loan notes of the Group and company can be found in Note 16 of the consolidated financial statements.

vii. Called up share capital

Details of the share capital of the Group and Company can be found in Note 18 of the consolidated financial statements.

Authorised share capital
The authorised share capital of the Company is £1,000,000 divided into 100,000,000 Ordinary shares of which 24,102,588 Ordinary shares have been issued, credited as fully paid (2015: 22,574,377).

ix. Parent Company result for the year

Under section 288(2) of the Gibraltar Companies Act 2014, the Company is exempt from the requirement to present its own statement of comprehensive income

The Company's loss for the financial year was £13,841,268 (2015: £4,686,727).

x. Share based payments

Details of the share based payments of the Group can be found in Note 26 of the consolidated financial statements.

xi. Related party transactions

Details of the related party transactions of the Group can be found in Note 21 of the consolidated financial statements.

xii. Events after the reporting date

Details of post balance sheet events of the Group can be found in Note 223 of the consolidated financial statements.