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Nektan PLC
18 December 2017

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NEKTAN PLC

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

Final results for the year ended 30 June 2017 and post period-end trading update

Nektan plc (AIM: NKTN), a leading international gaming solutions and services provider, announces its audited final results for the year ended 30 June 2017, provides a post period-end trading update and announces separately today that it has raised £1,759,535 through a placing of 5,095,243 new ordinary shares and subscriptions for 3,283,495 new ordinary shares both at a price of 21p per share.

Financial highlights

	Year ended 30 June 2017	Year ended 30 June 2016
Total revenue (£'000)	13,250	5,893
Adjusted EBITDA loss* (£'000)	(3,419)	(5,744)
Operating loss (£'000)	(4,624)	(8,349)
Loss before taxation ('£000)	(6,219)	(10,514)
Basic and diluted loss per share (pence)	(21.8)	(44.8)

Operational and strategic highlights

- Revenue growth of 124% to £13.3m (2016: £5.9m)
- All KPIs showed a marked improvement during the year:
  - Net Gaming Revenue up by 130% to £13.1m (2016: £5.7m)
  - Recruited 130,105 new First Time Depositing Players (FTDs) (2016: 49,176)
  - Total cash wagering up by 157% to £390.3m (2016: £151.9m)
  - Processed 423.5m transactions (bets or spins) (2016: 176.9m)
- Adjusted EBITDA loss of £3.4m (2016: £5.7m) and an operating loss for the year of £4.6m (2016: £8.3m)
- In December 2016, the Company announced the placing of new shares and an offer for subscription which raised £2.275m at a price of 27.5p per share
- Significant product improvements, including multi-language and currency functionality, helping to increase the number of current and new casino partners and in new geographies
- Enhanced games portfolio from key global studios taking the total number of games to 400+, helping to strengthen Nektan's attractions to customer partners
- Launched 19 new casinos on its network taking the total at year end to 75 casinos from 51 partners
- Signed first B2B contract leveraging the Group's multi-geographic assets, expertise and reach, by delivering a set of services and solutions, from games licensing to software, across European and North American markets
- Bought out the remaining 50% of Respin LLC, its US joint venture, now rebranded as Rapid Games
- Entered into an asset disposal and simultaneous separate five year licensing agreement with Buckingham HMB Ltd for three of the Company's wholly owned gaming brands for £1.95m in cash
- Reached agreement to buy out its joint venture partner in Nektan Marketing Services Limited ("NMS") for £500,000 payable in cash over 12 months to terminate the put and call option between Nektan and its joint venture partner.

Post year-end highlights

- Opened a further 19 casinos taking the total to 94 from 52 partners
- Evolve Lite, Nektan's B2B platform, went live in November 2017, opening up new revenue streams
- In July 2017, the Company secured commitments to raise £2,500,000 through an unsecured loan facility, with two of its Directors, Gary Shaw and Sandeep Reddy of which £1,985,000 has currently been drawn down
- Signed first global platform deal for Evolve Lite with Malta based gaming company, Tyche Digital Malta Limited ("Tyche")
- The Company announced separately today that it has raised £1,759,535 through a placing of 5,095,243 new ordinary shares and subscriptions for 3,283,495 new ordinary shares both at a price of 21p per share.

*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.

Gary Shaw, Interim Chief Executive Officer of Nektan, said:

"In Europe, Nektan will continue to focus on its core Managed Solutions business offering, whilst leveraging the infrastructure and capability to roll out its B2B business. In the US, we continue to see a number of opportunities to use Evolve with the mobile in venue casino system, in what is likely to be one of the largest global mobile gaming markets.

We have just signed our first platform deal and are focusing on leveraging our language capability, which we have built within the software, so that we would expect to be live in the US, Europe and Asia in our current financial year. As we have only one business line covering our central technology cost for Managed Solutions Europe, we expect to see significant margin uplift as we turn on and develop these new revenue lines. We also would expect a similar growth trajectory to our European Managed Solutions business giving the business material scalability as we utilise the same software platform across additional continents, whilst at the same time being highly relevant for the localised marketplaces.

The Company is well placed to maximise revenue and margin growth across both North American, Europe and additional geographies."

For further information on the Group, please contact:

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

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, Respin, 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

During the year, Nektan continued to make significant operational and strategic progress in its current key markets of Europe and North America, which has continued following the year end. This delivered significant growth from our existing casino partner base and from several new partners who launched casinos with us during the year who now have a large base of registered and active players. We are focusing on partners using our latest player acquisition strategies to continue to deliver more sustainable long term revenue helping to ensure that we continue with our current growth.

The Managed Solutions business has been Nektan's core focus in Europe, leveraging our Gibraltar gaming licence, proprietary back office platform (Evolve) and operational expertise across a network of 75 managed solutions casinos. Our casino offering to partners includes 400+ casino games titles from leading gaming suppliers such as NetEnt, IGT, NYX, Realistic, Evolution, blueprint and Scientific Gaming, as well as Nektan's proprietary games. We have a number of top tier suppliers in the pipeline for early 2018 to help to add to our already excellent casino games portfolio, which makes our offer more attractive to current and new partners to support their growth and ours.

One of the biggest strengths of the platform is the ability to integrate new partners quickly, which is one of our key competitive advantages. During the year, the casino network registered 130,105 new players (2016: 49,176 players), demonstrating the importance and flexibility of the Evolve platform to support and deliver continued growth. We remain focused on strengthening our operating discipline and have made good progress across casino management, maximising player entertainment and retention opportunities, with the constant enhancements to our back office, and strong focus on utilisation and its associated services supported through customer service and relationship management, payments and more refined player marketing.

Evolve Lite, Nektan's proprietary gaming platform, is now live. This gives games studios access to the Nektan casino network as well as other Tier 1 operators. We are also exploring further platform deals, allowing third parties to access content from a wide range of games providers, including for the first time vendors from outside Europe.

During the last year, considerable work was undertaken on the overall Evolve system in order to address differentiated market opportunities across a broader range of geographies. In the European and US market, a far greater emphasis is placed on our involvement in the process whereas in Asia the emphasis sits with the local operators. In order to be a product relevant to each market, Nektan is localising the entire product set from back office to front-end gaming on top of regulatory approvals in each market.

As we completed this work, our first commercial discussions have led to a number of material opportunities for the Company in the last quarter of this calendar year as it became clear that the product had sufficient differentiation in its agility, speed, language and functionality.

Extending into new markets and offering further product extension are important as, due to our relatively fixed cost structure as well as our historic investment in Evolve, this should improve margins significantly going forward. We expect to go live with our first B2B partner before the end of the calendar year and expect this to be transformative in terms of scalable growth, comparable to that achieved in Europe.

In the US, Nektan's operating expertise, combined with the Evolve back office platform, are two critical components to the future success of Respin, now branded as Rapid Games and a full operating subsidiary, having acquired our joint venture partner Spin's 50% share during the year. Our knowledge of operations and expertise in scaling a platform to large volumes of players will be vital to our success in this market as it emerges over the next two years. Our relationships with multiple games vendors will allow us to help expand their footprint as we strengthen our position in North America with a number of partners looking at co-operation in this market by placing the games on the Evolve platform.

Performance

During the year, the Group's European Managed Solutions business has seen significant growth in all KPIs - Net Gaming Revenue (NGR) in the year ended 30 June 2017 was £13.1 million (2016: £5.7m), First Time Depositors (FTDs) were 130,105 (2016: 49,176), cash wagering was £390.3m (2016: £151.9m) and transactions were 423.5m (2016: 176.9m). At the year end, the casino network included 75 white label casinos.

	FY17	**FY16**	**Change**
Net Gaming Revenue	£13.1m	£5.7m	130%
First Time Depositors	130,105	49,176	165%
Cash wagering	£390.3m	£151.9m	157%
Transactions (bets or spins)	423.5m	176.9m	139%

The operating loss was £4,624k (2016: £8,349k) and adjusted EBITDA loss was £3,419k (2016: 5,744k). The adjusted EBITDA loss included £752k loss from Respin for the six months since acquisition (2016: £nil).

Operations

Europe

We have made significant improvements across all aspects of casino management, including maximising player entertainment and engagement, through the use of our Evolve platform and associated services across CRM, payments, customer service and player marketing. We also continue to scale the business and are now operating in Germany, Sweden and Finland, as well as in the UK and Ireland.

During the last year, we have made a number of key improvements to the front-end of our Evolve system, including localisation and multi-currency support, customisation by site, account validation by SMS, new full native iOS app, wagering requirement progression bar, last played and favourite games category, bonus spins display and direct access to games. We have also made key upgrades to the back-end of the system, including tiered deposit bonus, duplicate check system improvement, bonus by game provider, further games integrations, bonus on login and by VIP level, as well as a specific emphasis on modules which focus on multi-language capability so that partners can see games which are localised for the market in which they operate.

The upgrade and migration of our Evolve back office during the year positions the casino network well for further 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.

We continue to add high quality partners and, at the year-end, had 75 live casinos. We expect to continue to see strong growth in our Managed Solutions business as we improve further our CRM and operational capabilities as well as place more emphasis on overseas markets.

In addition, during the last year we have been developing our B2B capability where we have established the infrastructure to manage the entry of global gaming companies into the European market. This manifests in a combination of technology, compliance/licensing and management operations. As we develop our B2B business in newer markets, this capability will allow us to expand during the coming year at a rapid pace. Our centrally managed technology centre is developing this functionality within the current fixed cost base so as we grow we will see improved margins.

Recently, the Company announced the signing of its first global platform deal for its Evolve Lite gaming system with Malta based gaming company Tyche Digital Malta Limited ("Tyche"). Under the terms of the agreement, Tyche will integrate Nektan's games aggregation platform into the multiple global markets in which it operates and will be responsible for localised licensing.

In addition, the Company has gone live with its first B2B integration being Videoslots which has become the first operator in Europe to go live with Konami Gaming. Both these areas of B2B will generate revenue for the Company during the year ending 30 June 2018.

North America

Respin LLC, our US operating subsidiary, now rebranded as Rapid Games, is focused on mobile on-premise digital gaming, primarily for the Class II tribal gaming market, offering players and casinos the opportunity to play bingo games and slots on mobile devices when in the casino.

In the year, the Rapid Games team has developed and released several software updates to their on-premise platform. These include enhancements that have secured independent test lab certifications for several strategic standards including GLI 11 Standards for gaming devices in casinos, GLI 16 Cashless Systems in casinos and GLI 21 client-server systems. The additional certifications leave Rapid Games as the only current interactive platform in the US with both Class II and III on-premise certifications.

The team has maintained its live deployment in northern California and is going through internal reviewand approval processes in several tier 1 tribal casinos in southern California. We are in the process of renewing our Oregon State gaming license and have entered into a contract to supply our platform and content on a trial basis to a casino in that state.

Financial review

Revenue

Net gaming revenue in the year ended 30 June 2017 was £13,092k (2016: £5,746k). This is due to the increase in new partners signed up during the year, an increase in the number of casinos offered by those partners and also improved operational efficiencies across the network. Total revenue for the year was £13,250k (2016: £5,893k).

Expenses

The marketing, partner and affiliate costs were £7,203k for the year (2016: £4,872k), demonstrating efficiencies in spend as the revenue increases.

Administrative expenses, excluding exceptional items, depreciation, amortisation and share based payment charges decreased to £4,703k (2016: £5,060k) reflecting the impact of the cost review that was carried out in 2016, despite having 6 months administrative expenses from Respin of £765k (2016: £nil). As previously announced, this led to a saving of approximately £150k to the monthly run rate.

Exceptional costs moved from a charge of £1,309k to a gain of £1,463k due to the profit on the disposal of brands after legal costs of £1,897k. Excluding this, the charge was £434k (2016: £1,309k) which related to fund raising costs and net settlement of the put option arrangement with the joint venture partner of Nektan Marketing Services Limited.

Adjusted EBITDA

The operating loss for the year was £4,624k (2016 £8,349k). Adjusted EBITDA loss was £3,419k (2016: £5,744k). This figure includes 6 months of Respin, Nektan's US subsidiary, being fully consolidated, the impact being a loss of £752k (2016: £nil).

Cash flow

The Group's cash balance at 30 June 2017 was £638k (2016: £99k). Net proceeds of £2,191k (2016: £1,800k) were raised in the year from issuing new shares and convertible loan notes of £nil (2016: £4,644k) (net of transaction costs). During the year, £813k (2016: £1,350k) was spent on capitalised development costs. In addition, the Group raised £1,950k (2016: £nil) from the sale of 3 casino brands to Buckingham HMB LLP.

Convertible Loan Note (CLN)

During the year, the Company received conversion notices from Series A CLN holders to the value of £1,094,500. These were converted at the prevailing conversion price of 34.375p resulting in the issue of 3,184,000 new shares. The CLN Series A currently has £8.9m outstanding and the Series B has £1.1m outstanding.

Nektan Marketing Services

During the year, the Group reached agreement to buy out its joint venture partners in Nektan Marketing Services Limited ("NMS") and terminate the put option held by it for consideration of £500,000 payable in cash. An initial payment of £250,000 was made in August 2017 with a further £150,000 payable in February 2018 and £100,000 payable in August 2018. This liability was reduced by certain credit notes received from NMS prior to acquisition resulting in a net settlement of £105k with the remaining investment of £97k being impaired.

Post balance sheet events

On 5 July 2017, the Directors announced thatthe Company had secured commitments to raise £2,500,000 through an unsecured loan facility. In order to draw upon the loan, the Company has entered into separate facility agreements with two of its Directors, Gary Shaw for £1,300,000 and Sandeep Reddy for £1,200,000. The loans carry interest of 10% per annum and the Company will grant to each lender, 5.36 debt warrants and 137 anti-dilution warrants for each £1 drawn down under the facility agreements which have a 2 year term. The Company has currently drawn down £1.985m of the £2.5m facility.

Additionally, the Group announced separately today that it had raised £1,759,535 through a placing of 5,095,243 new ordinary shares and subscriptions for 3,283,495 new ordinary shares both at a price of 21p per share. As a result of this fund raise, the conversion price of the CLN moves to 26.25p being a 25% premium to the issue price of 21p. In addition, the Company has reached agreement today with CLN holders to remove the warrants attached for the future deferral of interest on the Series A loan notes.

Outlook

In Europe, Nektan will continue to focus on its core Managed Solutions business offering, whilst leveraging the infrastructure and capability to roll out its B2B business. In the US, we continue to see a number of opportunities to use Evolve with the mobile in venue casino system. It is important that our platform would allow a customer to launch on a state wide basis if the state decides to regulate internet gaming, which is key for a number of the major operators as they evolve their strategies to ensure they can take a position in what is likely to be one of the largest global mobile gaming markets.

We have just signed our first platform deal and are focusing on leveraging our language capability, which we have built within the software, so that we would expect to be live in the US, Europe and Asia in our current financial year. As we have only one business line covering our central technology cost for Managed Solutions Europe, we expect to see significant margin uplift as we turn on and develop these new revenue lines. We also would expect a similar growth trajectory to our European Managed Solutions business giving the business material scalability as we utilise the same software platform across additional continents, whilst at the same time being highly relevant for the localised marketplaces. The Company is well placed to maximise revenue and margin growth across both North American, Europe and additional geographies.

We are pleased to have raised £1,759,535 by way of a placing of new shares and subscriptions from a combination of existing and new shareholders as well as certain members of senior management and the Board in order to continue to invest in the platform and exploit further growth opportunities.

On behalf of the Board, I would like to thank all of Nektan's employees for their efforts in the last year and our business partners for their continued commitment, all helping to support the continued growth of our business.

Gary Shaw

Interim Chief Executive Officer

	Notes	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Revenue	2	13,250	5,893
Cost of sales		(4,763)	(1,859)
Gross profit		8,487	4,034
Marketing, partner and affiliate costs		(7,203)	(4,872)
Administrative expenses		(5,908)	(7,665)
Other income	4	-	154
Adjusted EBITDA		(3,419)	(5,744)
Exceptional items	3	1,463	(1,309)
Depreciation	10	(126)	(105)
Amortisation	9	(1,976)	(1,191)
Share based payment charges	27	(566)	-
Operating loss	3	(4,624)	(8,349)
Finance income	7	257	308
Finance expense	7	(1,357)	(1,078)
Share of loss of joint ventures	11	(495)	(1,395)
Loss before taxation		(6,219)	(10,514)
Tax credit	8	98	28
Loss for the year		(6,121)	(10,486)
Other comprehensive income for the year			
Exchange differences arising on translation of foreign operations which may be reclassified to profit or loss		(227)	(127)
Total comprehensive loss for the year		(6,348)	(10,613)
Loss per share attributable to the Ordinary equity holders of the parent			
Basic (pence)	6	(21.8)	(44.8)
Diluted (pence)	6	(21.8)	(44.8)

	Notes	30 June 2017 £'000	30 June 2016 £'000
Non-current assets			
Intangible assets	9	6,900	3,200
Property, plant and equipment	10	432	148
Investments in joint ventures	11	-	2,256
		7,332	5,604
Current assets			
Trade and other receivables	12	1,805	1,816
Cash and cash equivalents	13	638	99
		2,443	1,915

Total assets		9,775	7,519
Current liabilities			
Trade and other payables	14	7,362	4,448
		7,362	4,448
Non-current liabilities			
Convertible loan notes	16	9,094	9,199
Trade and other payables	15	24	30
Deferred tax	19	1,482	17
		10,600	9,246
Total liabilities		17,962	13,694
Net liabilities		(8,187)	(6,175)
Equity attributable to equity holder:			
Share capital	18	360	241
Share premium		27,331	24,115
Merger reserve		(2)	(2)
Capital contribution reserve		3,306	3,306
Share option reserve		828	262
Foreign exchange reserve		(410)	(183)
Retained earnings		(39,600)	(33,914)
Total deficit		(8,187)	(6,175)

	Share capital	**Share premium**	**Share option reserve**	**Minority interest reserve**	**Capital contribution reserve**	**Merger reserve**	**Foreign exchange reserve**	**Retained earnings**	**Total equity**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
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)
Loss for the year	-	-	-	-	-	-	-	(6,121)	(6,121)
Other comprehensive income	-	-	-	-	-	-	(227)	-	(227)
Increased ownership of joint venture	-	-	-	496	-	-	-	-	496
Acquisition of minority interest	-	-	-	(496)	-	-	-	435	(61)
Issue of shares (net of costs)	119	3,216	-	-	-	-	-	-	3,335
Share based payments	-	-	566	-	-	-	-	-	566
At 30 June 2017	360	27,331	828	-	3,306	(2)	(410)	(39,600)	(8,187)

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 net of share issue costs.

Share option reserve

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

Minority interest reserve

Represents the minority share of the assets and liabilities of Respin following the move from 50% to 85% ownership and subsequent transfer to retained earnings when the remaining 15% was acquired. The loss during the period prior to the ownership increasing from 85% to 100% was immaterial and hence has not been shown on the income statement.

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 by a shareholder.

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.

	Notes	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Cash flow from operating activities			
Loss for the year		(6,121)	(10,486)
Adjustments for:			
Amortisation of intangible assets	9	1,976	1,191
Profit on brand disposal		(1,950)	-
Depreciation of property, plant and equipment	10	126	105
Share based payment expense		566	-
Loss on disposal of property plant and equipment	10	-	20
Finance expense	7	1,357	1,078
Finance income	7	(257)	(308)
Impairment of intangible assets		-	105
Joint venture impairment	11	97	481
Impairment of trade receivables	12	-	263
Share of loss of joint ventures	11	495	1,395
Income tax credit	8	(98)	(28)
Operating cash outflow before movement in working capital		(3,809)	(6,184)
Increase / (decrease) in trade and other receivables		116	(935)
Increase in trade and other payables		2,442	2,375
Cash used in operations		(1,251)	(4,744)
Cash flow from investing activities			
Purchase of intangible fixed assets	9	(813)	(1,350)
Purchase of property, plant and equipment	10	(67)	(96)
Proceeds on brand disposals		1,950	-
Investments in joint ventures	11	(1,014)	(2,587)
Cash acquired on acquisition	18	35	-
Loans to joint ventures		-	(152)
Net cash generated from/(used in) investing activities		91	(4,185)

Cash flow from financing activities			
Interest paid		(406)	(812)
Capital payments on finance lease		(25)	-
Purchase of non-controlling interest in Respin		(61)	-
Issue of convertible debt (net of costs)	16	-	4,644
Proceeds on subscription for shares (net of costs)		2,191	1,800
Net cash generated from financing activities		1,699	5,632
Net increase /(decrease) in cash and cash equivalents		539	(3,297)
Cash and cash equivalents at beginning of period	13	99	3,396
Cash and cash equivalents at end of period	13	638	99

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 Pounds 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 2017 or the year ended 30 June 2016 but is derived from those accounts.

Statutory accounts for the year ended 30 June 2017 will be filed with Companies House Gibraltar following the Company's Annual General Meeting. The audit report for the year ended 30 June 2017 includes a material uncertainty in respect of going concern.

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 secure sufficient funding for the foreseeable future including further funds should Board approved forecasts not be met.

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 business, ReSpin LLC, which is also loss making.

On 18 December 2017, the Directors announced an equity fundraising of £1,759,535 with irrecoverable undertakings having been received.

The Directors have reviewed forecast cash flows for the forthcoming 12 months from the date of approval of the financial statements and consider that the Group will have sufficient cash resources available for that period to meet its liabilities as they fall due. However, this is dependent on meeting the performance and timings in the forecasts which has required significant judgement and estimation and, as such, the Group may require further funding should trading or other timings of cashflows fall short of forecasts. The Directors would, if required, seek additional capital through further fundraising and/or asset sales or part sales.

Having reviewed the forecasts of the business, the irrecoverable undertakings received and based on the ability to raise further funds should this be required, the Directors have a reasonable expectation to believe that 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 Group and Company'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 2017 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 above standards have not been early adopted and the Directors, based on the review and assessment completed to date, do not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods with the exception of IFRS 16*Leases* which will bring onto balance sheet operating leases as a right of use asset with a corresponding liability. The directors intend to conclude their review in the coming months.

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 which include the judgements made, can be found below:

- Revenue recognition (note 1)
- Going concern (note 1)
- Capitalisation of intangible assets (note 9)
- Impairment of goodwill (note 9)
- Acquisition accounting and fair value of consideration (note 21)

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 2017. 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.

Where the Group enters into a step-acquisition and moves from being a joint-venture investment to a controlled subsidiary, this is accounted for as a business combination. On acquisition, the joint venture investment is fair valued with the difference being recorded in the income statement. Where a non-controlling interest is held, the fair value of assets and liabilities acquired is recorded in the minority interest reserve.

Where the companies acquire a non-controlling interest, the amount payable is recorded directly in retained earnings and the necessary minority interest reserve transferred to retained earnings.

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 is in line with the functional and presentational currency of the Parent company and main operating subsidiaries. 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 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 on real money gaming and account set up fees for partners.

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 underlying 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. 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
Licenses	Five years	Residual value

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 per cent. straight-line
Office equipment	-	20 - 33 per cent. straight-line
Computer equipment	-	33 per cent. 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 CGUs that are expected to benefit from the synergies of the combination giving rise to goodwill.

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 converts 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.

On receipt of a conversion request, the appropriate number of shares are issued to the loan note holder and the debt is cancelled. The difference between the nominal value of debt and the nominal share value is allocated to the share premium account.

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 an other 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. Adjusted EBITDA is considered to be the most appropriate measure as it reflects the underlying trading performance of the Group and allows ease of comparison with the prior year.

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

Following the acquisition of the remaining 50% of Respin, the Board now reviews the results of the on premise gaming separately and the results for the year ended 30 June 2017 have been split out as such below. For the year ended 30 June 2016 the results derive from one segment, that of Managed Gaming Solutions.

Year ended 30 June 2017	**Managed Gaming Solutions £'000**	**On Premise Gaming £'000**	**Group £'000**
Revenue	13,237	13	13,250
Cost of sales	(4,763)	-	(4,763)
Gross profit	8,474	13	8,487
Marketing, partner, affiliate costs and administrative expenses	(11,141)	(765)	(11,906)
Adjusted EBITDA	(2,667)	(752)	(3,419)
Depreciation, amortisation, exceptional items and share based payment charges			(1,205)
Net finance expense			(1,100)
Share of loss of joint ventures			(495)
Taxation			98
Loss for the year			(6,121)

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:

	30 June 2017	**30 June 2016**
	£'000	**£'000**
Gibraltar	5,993	2,383
UK	6	12
India	37	34
US	377	-
	6,413	2,429

Geographical analysis of revenues

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

	Year ended 30 June 2017	**Year ended 30 June 2016**
	£'000	**£'000**
UK	12,593	5,640
Rest of the World	657	253
	13,250	5,893

3. Operating Loss

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

	Year ended 30 June 2017	**Year ended 30 June 2016**
	£'000	**£'000**
Staff costs (note 5)	2,645	2,917
Auditor's remuneration:		
Audit of the Company's annual accounts	69	49
Audit of the subsidiaries' annual accounts	24	31
Other assurance services	6	4
Tax compliance services	6	5
Other non-audit services	-	10
Rent payable under operating leases	327	277

Amortisation	1,976	1,191
Depreciation	126	105
Loss on disposal	-	20
Loss/(gain) on foreign exchange	47	(160)
Exceptional (gain)/charge	(1,463)	1,309

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 2017 £'000	Year ended 30 June 2016 £'000
Write off of loan from joint venture (note 11)	-	481
Write off of trade receivable (note 12)	-	263
Fundraising and listing costs	191	106
Provision for onerous contracts	-	205
Impairment of intangible assets (note 9)	-	105
Termination payments	-	149
Net settlement of Nektan Marketing Services put option (note 11)	105	-
Impairment of joint venture (note 11)	97	-
Profit on brand disposals (net of legal costs)	(1,897)	-
Other	41	-
	(1,463)	1,309

Fundraising and listing costs incurred in the year ended 30 June 2017 relate to professional costs incurred in the equity funding in the year, and those incurred in the year ended 30 June 2016 relate primarily to professional costs incurred in relation to the issue of convertible loan notes and equity fundraising in the year.

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 were recognised as an exceptional expense in the year ended 30 June 2016.

The net settlement relates to the termination of the put option previously held by the joint venture partner of Nektan Marketing Services Limited. This was achieved through the acquisition of the business which is to be wound up post-acquisition and therefore has been fully impaired at the year-end.

4. Other income

	Year ended 30 June 2017	Year ended 30 June 2016
R&D tax credit	-	154
	-	154

The prior year other income previously included £110,000 of customer set-up fees which has been reclassified to revenue.

5. Staff costs

	Year ended 30 June 2017	Year ended 30 June 2016
The average number of employees (including Directors) employed was:		
Management	3	5
Administration and technical staff	72	62
	75	67

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
The aggregate remuneration of the above employees comprised (including Directors):		
Wages and salaries	3,039	3,238
Social security costs	203	255
Pension costs	115	49
Benefits in kind	87	222
	3,444	3,764
Staff costs capitalised in respect of internally generated intangible assets	(799)	(847)

	2,645	2,917

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 2017	Year ended 30 June 2016
Basic and diluted		
Loss after tax (£'000)	(6,121)	(10,486)
Weighted average number of shares	28,111,340	23,356,131
Weighted average loss per share (pence)	(21.8)	(44.8)

The result for the year ended 30 June 2016 and 2017 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.

7. Finance income and costs

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Finance income:		
Gain on movement in fair value of derivative financial instruments	257	308
Total finance income	257	308
Finance expense:		
Interest payable	(1,357)	(1,078)
Total finance costs	(1,357)	(1,108)

8. Taxation

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Current tax charge/(credit)	79	(21)
Deferred tax credit	(177)	(7)
Tax credit on loss on ordinary activities	(98)	(28)

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

	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'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 per cent. (2016: 10 percent). The differences are explained below:		
Loss before taxation	(6,219)	(10,514)
Loss before taxation multiplied by the average standard rate of tax in the year of 10 per cent. (2016: 10 per cent.)	(622)	(1,051)

Effects of:		
Expenses not deductible for tax purposes	300	122
Other tax differences	(67)	20
Current year tax losses not recognised	486	902
Income not taxable	(195)	-
Tax credit for year	(98)	(28)

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

	Year ended 30 June 2017	Year ended 30 June 2016
	£'000	£'000
Corporation tax losses carried forward	33,514	28,651

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

	Year ended 30 June 2017	Year ended 30 June 2016
	£'000	£'000
Tax losses carried forward	3,351	2,865
	3,351	2,865

9. Intangible assets

	Developed software	Acquired Licences	Computer software	Patents and Trademarks	Goodwill	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 July 2015	2,717	88	236	-	919	3,960
Additions	1,350	-	-	-	-	1,350
At 30 June 2016	4,067	88	236	-	919	5,310
Externally acquired additions		-	14	-		14
Internally capitalised additions	799	-	-	-	-	799
Acquisition of subsidiary*	-	4,828	-	35	-	4,863
At 30 June 2017	4,866	4,916	250	35	919	10,986
Accumulated amortisation						
At 1 July 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
Charge for the year	1,408	482	86	-	-	1,976
At 30 June 2017	3,266	570	250	-	-	4,086
Net book value						
At 1 July 2015	2,117	-	110	-	919	3,146
At 30 June 2016	2,209	-	72	-	919	3,200
At 30 June 2017	1,600	4,346	-	35	919	6,900

* During the year the Group acquired an additional 35% share of its 50% joint venture in ReSpin LLC resulting in the Group controlling the entity. This has been accounted for as a step-up acquisition (see note 21 for more details).

Developed software primarily relates to 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

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 2017 to assess whether the carrying value of assets was supported by the net present value of future cashflows derived from those assets.

The Goodwill is wholly in the managed gaming solutions CGU in the current and prior years.

Managed Gaming Solutions CGU

The recoverable amount of the European cash generating unit of £6,233,000 (2016: £3,961,000) is in excess of the CGU net liabilities by £6,646,000 and has been determined using a value in use calculation. The calculation of the value in use is based on a 3 year forecast model containing assumptions including the following key items:

- Discount rate of 20 per cent.
- Cashflows in FY18, FY19 and FY 20 based on the Board approved budgets including revenue growth in 2018 of 52%, 2019 of 38% and 2020 of 15%
- Terminal Growth rate of 2 per cent.

These assumptions were based upon management's estimates based on their experience. The key assumptions that would need to change in order for an impairment to arise is the application of a discount rate of 54% and average reduction in expected cashflows over the period of 67%.

On-Premise Gaming CGU

The recoverable amount of the US cash generating unit of £6,393,000 is in excess of the CGU net asset by £657,000 and has been determined using a value in use calculation. The calculation of the value in use is based on a 6 year forecast model containing assumptions including the following key items:

- Discount rate of 27 per cent.
- Cashflows in FY18, FY19 and FY 20 based on the Board approved budgets including revenue growth in 2019 of 1,102%, 2020 of 125%, 10% in FY21 & FY22 and 5% in FY23
- The use of a 6 year model beyond is based on the overall expectations of this being a growth market
- Terminal Growth rate of 2 per cent.

These assumptions were based upon management's estimates based on their experience. The key assumptions that would need to change in order for an impairment to arise is the application of a discount rate of 29% and average reduction in expected cashflows over the period of 10%.

10. Plant, property and equipment

	Computer equipment	Office equipment	Fixtures, fittings and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 July 2015	603	56	24	683
Additions	156	1	1	158
Disposals	(16)	(16)	(4)	(36)
At 30 June 2016	743	41	21	805
Additions	67	-	-	67
Acquisition of subsidiaries	293	17	45	355
FX movement	(12)	-	-	(12)
Disposals	(1)	-	-	(1)
At 30 June 2017	1,090	58	66	1,214
Accumulated depreciation				
At 1 July 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
Charge for the year	107	8	11	126
Eliminated on disposal	(1)	-	-	(1)
At 30 June 2017	710	43	29	782
Net book value				
At 1 July 2015	86	26	3	115
At 30 June 2016	139	6	3	148
At 30 June 2017	380	15	37	432

11. Joint ventures

	2017	2016
	£'000	£'000
At 1 July	2,256	1,064
Additions	1,014	2,587
Share of losses	(495)	(1,395)
Eliminated on Respin acquisition	(2,678)	-
Impairment of Nektan Marketing Services	(97)	
At 30 June	-	2,256

During the year, the Group increased its shareholding in Respin LLC, incorporated in the US, from 50% to 85% in December 2016 following the failure of the joint venture partner to meet certain equity funding requirements. This was subsequently increased to 100% through the buy-out of the remaining 15% non-controlling interest in January 2017. The investment was equity accounted prior to the increase in shareholding to 85%, at which point it became a subsidiary and therefore met the definition of a business combination (see note 21 for more details). The acquisition of the 15% non-controlling interest for £61,000 (US$75,000) has been recorded directly into retained earnings.

During the year, the Group reached agreement to buy out its joint venture partners in Nektan Marketing Services Limited ("NMS") and terminate the put option held by them for consideration of £500,000 payable in cash. An initial payment of £250,000 was made in August 2017 with a further £150,000 payable in February 2018 and £100,000 payable in August 2018. This was offset by certain credit notes received by the Group to arrive at net settlement cost of £105,000. As the Group intends to wind-down the NMS business, the remaining investment of £97k was impaired in full.

12. Trade and other receivables

	At 30 June 2017 £'000	At 30 June 2016 £'000
Loan to joint ventures	-	134
Trade Receivables	958	1,078
Prepayments and other debtors	847	604
	1,805	1,816

In the year, an impairment charge of nil (FY16: £263,000) was recognised in the income statement relating to trade receivables that are not recoverable and of nil (FY16: £481,000) 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 2017 £'000	At 30 June 2016 £'000
Between one and two months	-	10
Between two and three months	7	6
More than three months	19	3
	26	19

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 87% (2016: 50%) of the Group's payment receipts. The amount outstanding from this payment service provider at 30 June 2017 was £390k (30 June 2016: £487k).

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 2017 £'000	At 30 June 2016 £'000
Cash in bank accounts	638	99

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 2017 £'000	At 30 June 2016 £'000
United States Dollars	38	13
Euros	7	5
Indian Rupees	34	34
	79	52

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 2017 £'000	At 30 June 2016 £'000
Trade payables	1,481	1,416
Other payables	2,339	639
Corporation tax liability	79	-
Accruals	2,655	1,309
Finance lease obligations	8	27
Derivative financial liability	800	1,057
	7,362	4,448

Player balances which form part of other payables represent amounts due to customers including net deposits received, undrawn winnings, progressive jackpots and certain promotional bonuses. Player balances for the year ended 30 June 2017 are £384,000 (2016: £186,000) and jackpot liabilities are £378,000 (2016: £nil). 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 previously issued by the Group 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 prior year the Group entered into finance leases for computer equipment with a net book value of £62,000.

Future lease payments are as follows:

	Minimum lease payments £'000	Interest £'000	Present value £'000
Not later than one year	8	-	8
Between one year and five years	26	2	24
	34	2	32

16. Convertible Loan Notes

The Company raised £5,829k in the year to 30 June 2015 ("Tranche 1 and 2") and a further £5,271k in the year to 30 June 2016 ("Tranche 3 and 4"). The conversion price is at a 25% premium to the price at the most recent equity issue price prior to the conversion of the 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 conversion price was 34.375p and the maximum conversion price was 101.25p.

Interest of 10 per cent. per annum is payable quarterly in arrears, however during the year the Company reached agreement with the loan note holders to defer the interest on the Series A CLNs until April 2020 with the Company having the option quarterly to restart interest payments. If the Company exercises its right to defer interest, the Series A CLN holders will be granted a warrant to buy Ordinary Shares, exercisable immediately at the lowest prevailing equity issue price per share up to the value of the interest so deferred. The issue of the warrants gives rise to a share based payment charge (see note 27 for more details). As at 30 June 2017, three quarters of interest payments had been deferred leading to an interest accrual of £750k (2016: £nil).

Any notes that have not been converted will be redeemed in full on 28 April 2020.

	At 30 June 2017 £'000	At 30 June 2016 £'000
Convertible loan notes	8,344	9,199
Accrued interest	750	-
Non-current liabilities	**9,094**	**9,199**

The number of shares that will be issued upon conversion of the notes is 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. During the year, £1,094,500 of the Series A CLN were converted at a price of 34.375p leading to 3,184,000 ordinary shares being issued.

The debt component has subsequently been measured at amortised cost based on an effective interest rate of 11.12% for Tranche 1 (2016: 13.56%), 11.12% for Tranche 2 (2016: 13.61%), 16.20% for Tranche 3 (2016: 19.11%) and 16.20% for Tranche 4 (2016: 19.98%). The difference between the carrying amount of the liability component at the date of issue and the amount reported at 30 June 2017 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 £257,000 (2016: £308,000). Due to the equity raise during the year, the conversion price of the CLN rebased to 34.375p.

The Convertible Loan Notes are secured by a first ranking fixed and floating charge on the assets of the Company and each of the Company's subsidiaries, with all other loans to the Company ranking behind the Convertible Loan Notes' security.

17. Subsidiaries

Details of the Group's subsidiaries as at 30 June 2017 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
Broadcast Gaming Limited	Gibraltar	100%	Dormant
Respin Games LLC	USA	100%	Gaming software development
Nektan Marketing Services Limited	UK	100%	Marketing

18. Share capital

	Ordinary shares number	Ordinary shares £
Allotted, issued and fully paid		
At 1 July 2015	22,574,377	225,744
Issued during the year	1,528,211	15,282
At 30 June 2016	24,102,588	241,026
Issued during the year	11,932,704	119,327
At 30 June 2017	36,035,292	360,353

The issued and fully paid share capital of the Company amounts to£360,353 and is split into 36,035,292 1p ordinary shares.

On 1 February 2017, 8,748,704 new Ordinary shares were admitted to AIM following an offer for subscription. The issue price was 27.5p raising gross proceeds of £2,406k of which £50k was a loan converted into equity giving proceeds after costs of £2,191k. £87k was recorded in share capital and £2,154k in share premium having deducted £164k of costs. These ordinary shares had anti-dilution warrants attached which would have been exercisable in the event of a further equity raise at a lower price than 27.5p in the 6 months following the raise. At the date of issue of the anti-dilution warrants, the directors, based on their best estimates, did not believe that the warrants would be exercised and therefore no option charge has been recorded. These anti-dilution warrants subsequently expired post year-end in July 2017 and were not capable of exercise.

In April and May 2017, a total of 3,184,000 shares were issued following notices of conversion from various Convertible Loan Note holders. The conversion price was 34.375p being a 25% premium to the latest equity raise price at the time of 27.5p. The total value of loan notes converted was £1,094,500, leading to 3,184,000 ordinary shares being issued of which £32k was recorded in share capital and the balance of £1,063k in share premium.

Authorised share capital

The authorised share capital of the Company is £1,000,000 divided into 100,000,000 Ordinary Shares (2016: 100,000,000) of which 36,035,292 Ordinary shares have been issued, credited as fully paid (2016: 24,102,588).

19. Deferred tax liability

	Total £'000
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
Deferred tax arising on business combination	1,642
Credited to the income statement on acquired intangibles	(164)

Credited to the income statement	(13)
At 30 June 2017	1,482

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 management of 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

Financial assets
The Group held the following financial assets:

	At 30 June 2017 £'000	At 30 June 2016 £'000
Loans and receivables:		
Cash and cash equivalents	638	99
Trade and other receivables	1,805	1,309
Loans to joint venture partners	-	134
	2,443	1,542

Financial liabilities
The Group held the following financial liabilities:

	At 30 June 2017 £'000	At 30 June 2016 £'000
Amortised cost:		
Trade payables	1,481	1,416
Other payables	2,339	639
Corporation tax liability	79	-
Accruals	2,655	1,309
Finance lease obligations	32	57
Convertible loan notes	9,094	9,199
	15,680	12,617

	At 30 June 2017 £'000	At 30 June 2016 £'000
Fair value through profit and loss:		
Derivative financial liability	800	1,057
	800	1,057

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 the non-derivative element of the convertible loan notes.

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables and the non-derivative element of the 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- 2.2 years (2016 2.8 years) from year-end
- Volatility- 50% (2016: 50%)
- Dividend Yield- 0% (2016: 0%)

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

	Derivative Financial Liability £'000
As at 1 July 2015	435
Issues	930
Total gains in profit or loss	(308)
As at 30 June 2016	1,057
Issues	-
Total gains in profit or loss	(257)
As at 30 June 2017	800

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.

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 2017 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 (2016: 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 £nil (2016: £263k) relating to trade receivables (see note 12) and £nil (2016: £481k) relating to loans from joint ventures (see note 11), have been recognised in the income statement.

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 2017	One year or less £'000	Two to five years £'000	Five years and over £'000	Total £'000
Trade payables	1,481	-	-	1,481
Other payables	2,339	-	-	2,339
Accruals	2,655	-	-	2,655
Finance lease obligations	8	24	-	32
Derivative financial liability	800	-	-	800
Convertible loan notes	110	13,452	-	13,562
	7,393	13,476	-	20,869

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

Capital management

The Group is currently funded principally through shareholders' funds and convertible loan notes. During the year ended 30 June 2017, £2,191k (net of costs) was raised through an equity issue and £1,897k (net of costs) was raised through the sale of three casino brands to Buckingham HMB LLP. Going forward 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. Acquisitions

On 29 December 2016, the Company increased its ownership of Respin from a 50% joint venture to a 85% subsidiary as additional funding of US$1.7m was not matched by the joint venture partner. The Directors determined that control passed to Nektan at this time and, therefore the investment was consolidated as a subsidiary from that time. On 25 January 2017, following the then 15% minority interest holder failing to invest the required equity amount, the remaining 15% was acquired for US$75k. As the Group already had control of the entity, the additional payment was recognised directly in equity. Owning 100% of Respin outright will facilitate the Company's continuing realignment as an international gaming solutions provider, offering products and services across both markets through its proprietary platform, Evolve. Full ownership also brings an increased focus on regulated digital casino gaming in North America through the deployment of Respin's Rapid Bingo on-property mobile solution, which is the first bring-your-own-device approved mobile gaming platform with a GLI 547, Class II gaming certification.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Fair value £'000
Property, plant and equipment	355
Patents	35
Cash	35
Trade and other receivables	7
Trade and other payables	(310)
Fair value of licenses	4,828
Deferred tax liability	(1,642)

Minority interest	(496)
Total net assets	2,812
Fair value of consideration paid:	
Release of receivable due from joint venture	134
Fair value of 50% shareholding	2,678
Total consideration	2,812
Goodwill	-

The revenue and costs associated with Respin since acquisition are included in Note 2 and during the period from 1 July 2016 to 31 December 2016, the entity recorded a total loss of £1,014k, with Nektan's share being £507k. The loss in the 6 month period post-acquisition is £752k with revenue of £13k. The total loss for the year for the Group would have increased by a further £507k if the acquisition had occurred at the start of the year with no impact on revenue.

As no consideration was payable by the Group to obtain control, the Directors were required to fair value the 50% shareholding at acquisition date. The fair value was in line with the carrying value of the investment and, therefore no fair value adjustment was required through the income statement. The key assumptions in arriving at the fair value of £2,678,000 were:

- Discount rate of 27 per cent.
- Cashflows in FY18, FY19 and FY 20 based on the Board approved budgets including revenue growth in 2019 of 1,102%, 2020 of 125%, 10% in FY21 & FY22 and 5% in FY23
- The use of a 6 year model beyond is based on the overall expectations of this being a growth market
- Terminal Growth rate of 2 per cent.

The Directors based on their best estimates and knowledge of the business determined that the goodwill arising on the transaction was negligible due to the business having a small workforce and no significant contracts in place and therefore no goodwill has been recorded.

22. 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 2017	**Year ended 30 June 2016**
	£'000	**£'000**
The aggregate remuneration comprised:		
Salaries/fees	433	533
Bonus	141	-
Loss of office	-	90
Benefits in kind	28	9
Share options	32	-
	634	632

The following related party transactions took place during the period:

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

		At 30 June 2017	**At 30 June 2016**
Gary Shaw	CLN Balance	£300,000	£300,000
	Interest received	£7,500	£10,000
	Deferred interest	£22,500	-
	Deferred interest warrants	81,596	-
Jim Wilkinson	CLN Balance	£250,000	£250,000
	Interest received	£6,250	£8,333
	Deferred interest	£18,750	-
	Deferred interest warrants	67,997	-
Venture Tech Assets*	CLN Balance	£1,000,000	£1,000,000
	Interest received	£25,000	£33,333
	Deferred interest	£75,000	-
	Deferred interest warrants	271,982	-

* A company controlled by Sandeep Reddy

As part of the equity raise in January 2017, Gary Shaw subscribed for 636,363 ordinary shares, Jim Wilkinson subscribed for 181,818 ordinary shares, Leigh Nissim subscribed for 90,909 ordinary shares and Sandeep Reddy subscribed for 3,181,818 ordinary shares, either directly or through their associated companies.

During the year, 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. The assets had nil cost and this resulted in a profit net of legal costs of £1,897,000.

During the year, the Group contributed a further £1,014,000 to its joint venture partner, Respin Games LLC. On 29 December 2016, the Company increased its ownership of Respin to 85% as additional funding was converted to an increased membership interest, transitioning the business to an operating subsidiary from a joint venture. In January 2017, the outstanding 15% was acquired for US$75,000.

23. Post-balance sheet events

In July 2017, the Company announced that it had secured commitments to raise £2,500,000 through an unsecured loan facility, providing financing to facilitate the Company's continued growth and associated product development. In order to draw upon the loan, the Company has entered into separate Facility Agreements with two of its Directors, Gary Shaw for £1,300,000 and Sandeep Reddy for £1,200,000 (the "Debt Fundraise"). The loans will carry interest of 10% per annum and the Company will grant to each lender, 5.36 debt warrants and 137 anti-dilution warrants for each £1 drawn down under the facility agreements. The shareholder resolutions required for this were passed at an Extraordinary General Meeting of the Company held on 28 July 2017.

At today's date, of the £2,500,000 facility, £1,985,000 had been drawn down split between Gary Shaw £1,185,000 and Sandeep Reddy £800,000.

Separately today, the Company announced that it had raised £1,759,535 through a placing of 5,095,243 new ordinary shares and subscriptions for 3,283,495 new ordinary shares both at a price of 21p per share.

24. Ultimate parent undertaking

The Directors consider that there is no ultimate controlling party.

25. Operating leases

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

Land and buildings	**At 30 June 2017 £'000**	**At 30 June 2016 £'000**
Operating leases		
Expiring less than one year	153	260
Expiring between one and two years	107	93
Expiring between two and five years	98	193
	358	546

26. 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.

27. Share based payments and warrants

During the year ended 30 June 2017 and prior years, 1,222,233 options and warrants were granted or contracted to service providers and members of staff and a further 2,657,415 interest deferral warrants to CLN noteholders.

	Current and former employees		**Suppliers**		**Interest deferral warrants**		**Total**	
	Number	Average price	Number	Average price	Number	Average price	Number	Average price
As at 1 July 2015	-	-	579,835	105.6p	-	-	579,835	105.6p
Granted during the year	-	-	223,475	142.5p	-	-	223,475	142.5p
As at 30 June	-	-	803,310	115.9p	-	-	803,310	115.9p

2016								
Granted during the year	1,113,142	30.6p	109,091	27.5p	2,657,415	27.5p	3,879,648	28.4p
As at 30 June 2017	1,113,142	30.6p	912,401	105.3p	2,657,415	27.5p	4,682,958	43.4p

The exercise price of options/warrants outstanding at 30 June 2017 ranged between £0.01 and £2.36 (2016: ranged between £0.01 and £2.36) and their weighted average contractual life was three years 3months (2016: three years seven months).

The weighted average fair value of each option/warrant granted during the period was 28.4p.

The following information is relevant in the determination of the fair value of options/warrants granted during the period:

	Year ended 30 June 2017	**Year ended 30 June 2016**
Option pricing model used	Black-Scholes	Black-Scholes
Share price at date of grant	27.5p to 56.5p	£1.90
Exercise price	27.5p to 56.5p	£2.36
Option life	3 years to 5 years	0.6 years
Risk free rate	0.4%	0.89%
Expected volatility	50%	23.4%
Expected dividend yield	Nil	Nil

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

The total share based payment charge for the year was £566,000 (2016: £nil).

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