GAMING REALMS
PLAYING A NEW GAME

# Integrated. Intelligent. Immersive.

**Gaming Realms plc**
Annual Report & Accounts 2015

# The Group strategy is to build an international portfolio of engaging casual gaming products and brands in the £30 billion worldwide online gambling market.




www.gamingrealms.com

# Highlights

## 2015 FINANCIAL HIGHLIGHTS

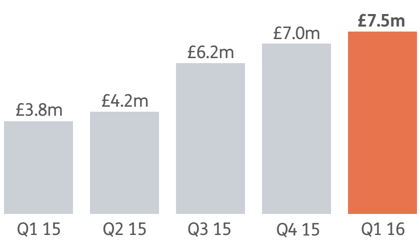
- Revenue up 116%* to £21.2m for the year ended 31 December 2015 (12M 2014: £9.8m, 15M 2014: £11.2m)
- Real money gaming revenue up 362%* to £10.8m (12M 2014: £2.3m, 15M 2014: £2.7m)
- Social and licensing revenue up 294%* to £2.5m (12M 2014: £0.6m, 15M 2014: £1.2m)
- Total new depositing players up 55%* to 169,988 (12M 2014: 109,561, 15M 2014: 138,852)
- Adjusted EBITDA loss of £4.1m (15M 2014: £7.8m) which includes marketing investment of £11.5m (15M 2014: £10.2m)

## 2015 OPERATIONAL HIGHLIGHTS

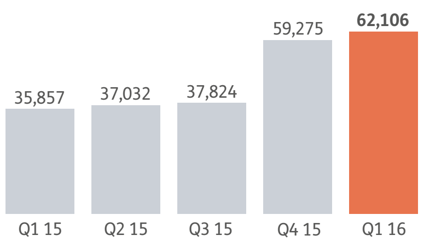
- Completed £12.5m fundraising and acquisition of GameHouse social mobile gaming business and Slingo IP and games
- Launch of proprietary platform ("Grizzly") and the migration of PocketFruity brand onto Grizzly platform together with launch of slingo.com
- Launch of Slingo Blast and Lucky Streak Slots free to play apps

* Year-on-year comparatives have been adjusted to the 12-month period to 31 December 2014. The Group's 2014 full year results reported its performance for the 15-month period to 31 December 2014 (see page 11).

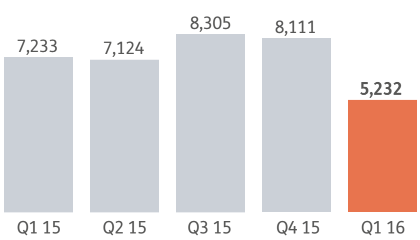
### Revenue



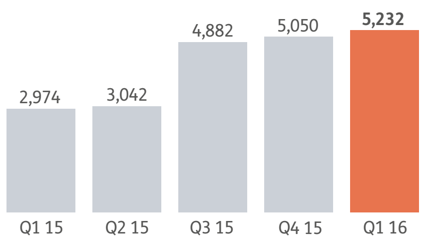

### New depositing players




### Average daily players




### Average daily players (excluding white labels)




# Gaming Realms at a Glance

## WHERE WE ARE IN THE WORLD


**Gaming Realms creates and publishes innovative real money and social games for mobile, with operations in the UK, the US and Canada.**

Through its market-leading mobile platform and unique IP and brands, Gaming Realms is bringing together media, entertainment and gaming assets in new game formats.

The Group is deploying its IP and creative content through both its real money gambling operations in the UK and social free to play Slingo and casino apps for territories where it doesn't hold a gambling license (through its Blastworks publishing brand). Whilst we utilise common elements across both parts of the business, we are also developing unique content and IP for each platform. The Group is also licensing its unique IP to third-party operators in non-core markets in order to expedite growth internationally and to reach broader audiences.

## SPANNING REAL MONEY AND SOCIAL GAMING

### Original game content and IP development

We build original content from our own London, Seattle and Vancouver Island based games studios incorporating social metagames and real money mechanics with well-known brands.

### Global audience creation and monetisation

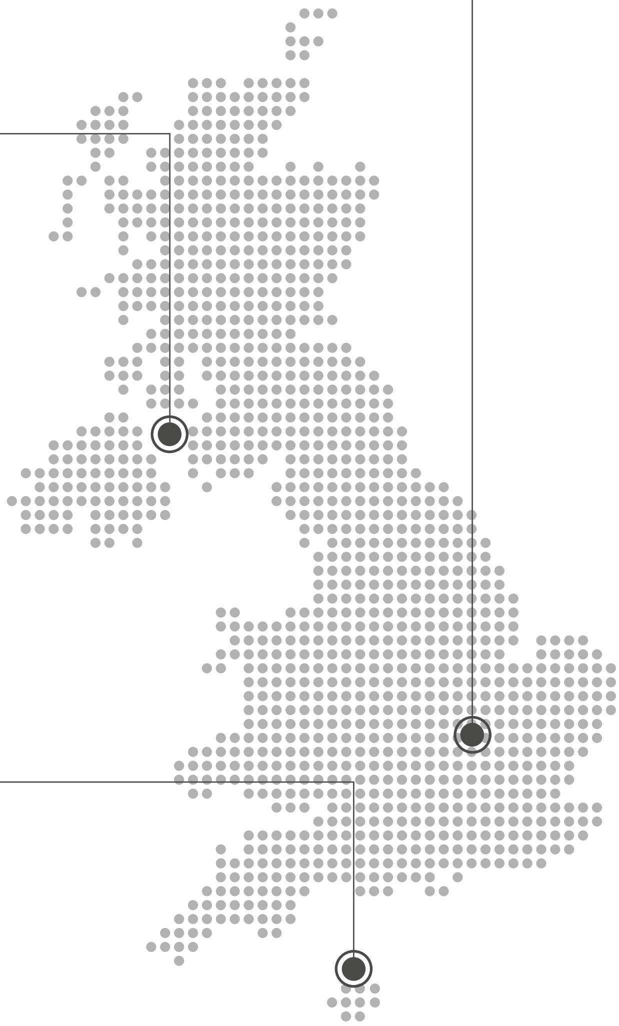
With the latest digital acquisition methods, we concentrate on delivering a lower cost per acquisition of user by leveraging the mass appeal of branded content coupled with CRM specific to the individual user. This has expanded our audience well beyond the traditional gaming market.

### Advanced gaming platform

We have invested heavily in mobile-based gambling and social platforms powered by algorithmic CRM and personalised content. The real money gambling is run from Guernsey and is fully licensed by the UK Gambling Commission for both development and operation.

**UK**
1 Valentine Place
London

**Isle of Man**
49 Victoria Street
Douglas



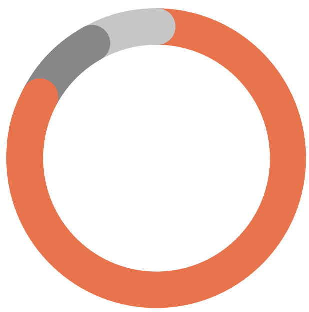
**Guernsey**
Upland Business Centre
Upland Road
St Peter Port

## Real money players

# 51%
female

# 63%
under 35

Revenue split (real money and in app purchases)



- 83% UK
- 9% Rest of the world
- 8% US

## Experienced team

We have one of the most experienced teams in the real money and social industries gained from companies such as bwin.party, Cashcade, Gamesys, GTECH, Aristocrat, Betfair, Sky Vegas, DoubleDown, Virtue Fusion and Hasbro.

## Data and algorithmic optimisation

"It's all about the data" – from advanced algorithms to individual landing pages designed to give the player an optimised experience.

## Strategic partners and licensing

Partners include Fremantle, Zynga, Ainsworth, NetEnt, Pala Interactive and Scientific Games. Not only do we leverage our own IP across multiple brands, but we also license Slingo into markets adjacent to the Group's core mobile gaming business.

# Chairman's Statement

**The acquisition of Slingo IP and games perfectly fits our strategy for delivering mobile based entertainment content. The results speak for themselves in so far as we have higher margin games, lower CPAs and a great pipeline of licensing deals.**

Dear Shareholder,

On behalf of the Board, I am pleased to report that significant progress was made in 2015. We have developed and published real money and free to play original content on our new proprietary gaming platform, with positive business intelligence, growth and results supporting our strategy. This has continued into the current year.

In August 2015, Gaming Realms completed the acquisition of the GameHouse social and mobile assets and Slingo brand from RealNetworks, Inc. With this came the IP for Slingo, a new social games platform, a portfolio of mobile games, two games studios and highly experienced teams in Seattle and Vancouver Island.

During the year, two original Slingo real money games were developed and published on the Grizzly platform, and have quickly become amongst our best performing games in the UK. In our social business we launched two free to play mobile apps during the year (Slingo Blast and Lucky Streak Slots), as well as continuing to publish and monetise several acquired games including Hidden Artifacts.

Since the acquisition from RealNetworks, we have signed new strategic partnership agreements with Zynga and Scientific Games to distribute Slingo into adjacent gaming markets currently outside our strategic focus. This clearly highlights the strength of our IP and ability to extend its reach into massive markets such as national and state lotteries as well as the global gaming machine market with leading providers.

Our strategic focus has been further underlined by streamlining our operational focus on our own proprietary technology and game publishing. We have therefore sold our third-party platform gaming assets as we believed we could achieve superior economics from selling these assets, as well as increasing management focus in the areas of highest shareholder return.

**Financial review**
As indicated in the trading update in January, I am pleased to report that the Group has delivered full year 2015 revenue of £21.2m and an adjusted EBITDA loss of £4.1m, which is in line with market expectations. The 2015 performance has seen an increase of revenue of 116% versus the comparable 12 months to 31 December 2014. Adjusted EBITDA loss has also decreased by 30% in the same period.

**People**
During 2015 the Group deepened its talent pool in critical areas related to our platform and content development, and the social gaming acquisition brought a further 57 experienced professionals into Gaming Realms. At year end we employed 169 people (2014: 84).

It is the view of the Board that this expansion in multiple territories continues to have a very positive impact on both culture and performance.

**Outlook for 2016**
The first quarter of 2016 has seen further increase in like-for-like revenues of 7% to £7.5m from the previous quarter (Q4 2015: £7.0m).

Our strategy of investing in content, platforms, and building a large and profitable audience continues to drive our growth. In addition to our B2B licensing partnerships into global lottery and land-based casino markets, our ability to attract highly complementary media brands such as Britain's Got Talent, the X Factor and Deal or No Deal into our own B2C business offers us potential for further growth in the remainder of 2016.

The Board is excited by the progress of the Group in the year under review, encouraged by the developments already achieved in the current year, and believes that shareholders should share their enthusiasm and confidence in the future of Gaming Realms.

| Significant shareholders | At 31.03.2016 |
|---|---|
| Michael Buckley | 8.37% |
| Patrick Southon | 4.57% |
| Simon Collins | 4.14% |
| Other Directors and management team | 4.84% |
| Artemis Alpha Trust plc | 4.56% |
| Helium Rising Stars Fund Limited | 5.80% |
| Henderson Volantis Capital | 7.98% |
| Rich Ricci | 6.96% |
| Standard Life | 2.96% |
| Others | 49.82% |

Michael Buckley

**Michael Buckley**
Chairman

3 May 2016

## OPERATIONAL HIGHLIGHTS

+478% 78,198

Increase in new real money gambling depositors compared to the previous financial year.

+199% 3,639

Increase in active daily players compared to previous financial year.

# Chief Executive's Review

**We are most excited by the unified roadmap of new developments for both social and real money products and platform, which is only made possible by owning the value chain from end to end.**

**Overview**

Our second full year of trading has delivered tangible success as we have transitioned to a broader based developer, publisher and licensor of next generation mobile gaming content. It was the first full year of operation for our Grizzly platform, which we have been able to scale rapidly with both content and audience. Additionally, the platform has lowered cost per acquisition ("CPA") and shortened our investment payback periods.

The acquisition of the GameHouse social mobile gaming business and Slingo IP and games, has enabled this transition to occur in not just the UK regulated gaming market, but also into a new global mobile market across multiple channels.

This has been clearly evidenced by a growing number of strategic lottery, media and platform partnerships.

Our platform investment has also paid off, allowing a single focus on core content development usable across real money and social audiences as well as through the above mentioned distribution partnerships.

**Platform and content development**

During the year Grizzly was significantly enhanced following our beta launch of SpinGenie in Q4 2014, which scaled over £24m in deposits and £403m in wagers in 2015. We added new third-party branded games and migrated PocketFruity casino onto Grizzly in Q1 2015. This allowed efficiency within the development team and also increased scalability for the brand.

We also built our first real money Slingo games, Slingo Riches and Slingo Extreme – they quickly became the top performing games in 2015, accounting for 21% of the GGR in Q4 and were the most popular games played by over 47% of the funded players.

With the Group's continued focus on mobile in terms of both platform and the content, 80% of our players gamble on mobile devices, accounting for 73% of our Gross Gaming Revenue in the UK.

In our social business, we grew our active development to five games in the portfolio by the end of 2015. Both Slingo Adventure and Slingo Shuffle mobile apps were launched in 2015 and together with the existing apps, scaled to approximately 964,000 monthly average users ("MAU"). We also completed the beta version of Slingo Blast for iOS and Android, and our new social version of our platform from which we beta launched our new social casino, Lucky Streak Slots in December.

### Social games and Slingo IP acquisition

The acquisition of the Social Gaming and Slingo assets has enhanced each area of our content development, mobile audience scaling and platform leverage capability. Acquiring two games studios, rebranded as Blastworks, with their associated mobile marketing and publishing teams in Seattle and Vancouver Island, together with experienced leadership, operating under the name Blastworks, has opened up several new revenue streams and content opportunities for the Group.

It has brought revenues through its free to play apps in the US (65%), the UK (5%) and rest of the world (30%). The revenue is derived from the in-game sale of virtual goods and advertising services. We engage with our users on our free to play platform which is delivered through mobile platforms such as iOS, Android and Amazon as well as social networking sites such as Facebook.

In just over four months since acquisition the assets delivered £2.5m in revenue to 31 December 2015 and we acquired 36,835 in new depositing players.

### Marketing

Our marketing strategy during the year was to continue to target growth on the Grizzly platform. We added new features to the platform to allow for multiple offers by different channels which yielded improved returns and lower CPAs. The result has been an overall CPA on the Grizzly platform of £79 with 78,198 new depositing players in the year. We believe this is the lowest CPA across the industry for a UK casino. Our revenue per depositing player was £125 which is reflective of the new player base in 2015.

Marketing for our social gaming apps followed a similar strategy in order to get scale on the platforms. With new app releases in the year and constant release cycles, we were able to continuously improve acquisition and retention campaigns during the year. The cost of a new depositing player was £21.

Our cross device marketing capability continues to be a significant asset of the Group. In addition to marketing our own UK regulated gaming properties, our team integrated and complimented our social marketing activities immediately following the acquisition. With the sale of our third-party platform driven websites in 2016, our team will further focus on our B2C in both the real money and social markets leveraging a single BI and data platform.

Our player acquisition and CRM programs continue to leverage cutting edge technology, data science algorithms and proven talent in both the UK and the US.

### Licensing and content innovation

In line with the Group strategy of developing, publishing and licensing next generation mobile content, we made great progress in 2015. As we have moved into 2016, we have seen the benefit of this with licensing deals with Zynga and Scientific Games. We are also delighted to have obtained a transactional waiver for New Jersey to provide a new bingo game into that market through a partnership with Pala Interactive.

We have also looked to partner with market-leading content providers, integrating games from Ainsworth Technology, Instant Win Gaming, NetEnt and IGT. On top of this we have more recently signed licenses with Fremantle Media and Endemol to build unique branded Slingo games to widen our marketing appeal.

### Outlook

Our strategy for 2016 is to consolidate and focus on our core products. By disposing of our third-party platform driven websites, we are in a stronger position to streamline operations on our proprietary platforms. We continue to develop unique content which will bring exciting licensing opportunities in 2016 and deliver growth and new potential for the Group. This content will also be delivered on our core platforms to enable greater product differentiation and player engagement. With the proven success of our marketing strategy, the new platform and the acquisition of Slingo, we are in a strong position for significant progress.

**Patrick Southon**
Chief Executive Officer

3 May 2016

# Chief Executive's Review continued

## PLAYER DEMOGRAPHICS FOR REAL MONEY

With our focus on mobile delivery and original game IP, we are able to acquire a younger audience than the traditional online bingo industry. 25 to 34 year olds account for nearly double the new users of any other age group and is reflective of the Group's digital mobile acquisition methods. Whilst the products male/female split is roughly 50/50 in terms of acquisition, women as a group are near 50% more profitable than their male counterparts which we believe is due to the paucity of female focused games as opposed to male dominated sportsbooks and represents a key opportunity for the Group moving forward.

### Real money players

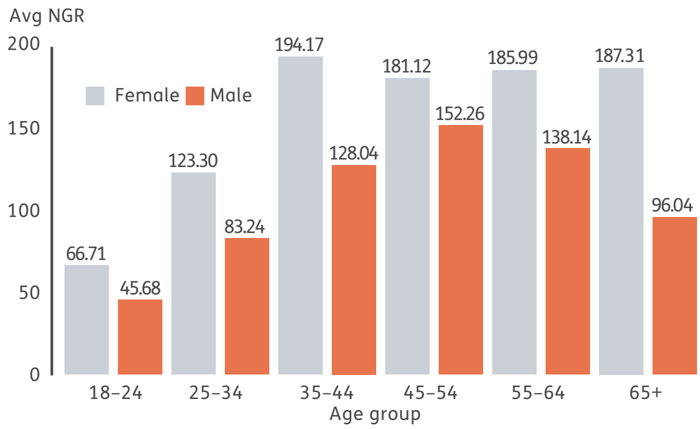
51% female

49% male

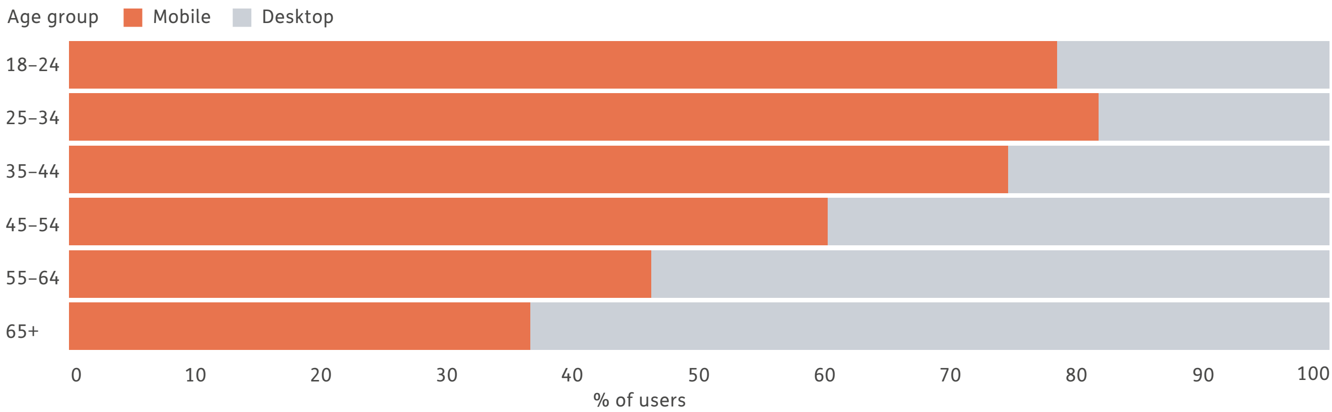
### Players under 35

63%

### Demographic – NGR of funded users




### Snapshot: Device age split (last 6 months)




### Game activity by device (last 6 months)

| Game device type | GGR | % of total GGR | Margin | Unique funded players | % of unique funded players | Unique players | % of unique players | Average age | Sessions | % of sessions |
|---|---|---|---|---|---|---|---|---|---|---|
| Desktop | 2,772,377 | 20% | 3.75% | 35,141 | 39.1% | 94,707 | 31.3% | 40 | 173,390 | 18.6% |
| Mobile | 11,366,617 | 80% | 4.75% | 76,863 | 85.4% | 235,934 | 78.0% | 34 | 758,295 | 81.4% |

## STRATEGY IN ACTION

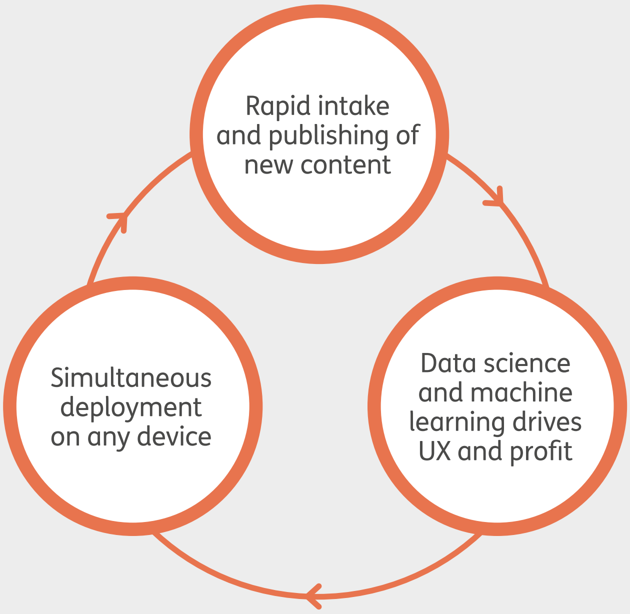
### Case study

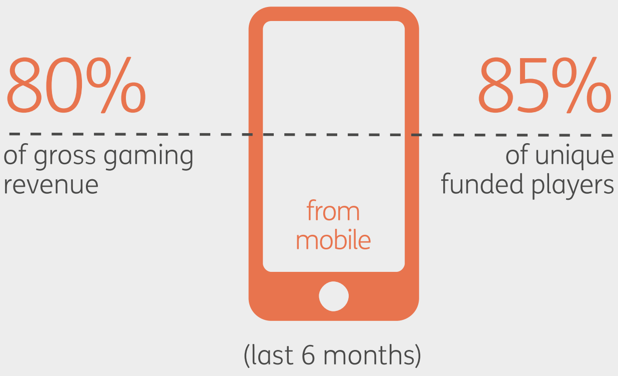
# Data driven and content rich for real money and social games with our new Grizzly platform

During 2015, Gaming Realms realigned its strategy to focus on its sites operating on the Grizzly proprietary platform, as well as creating and publishing innovative mobile content for real money and social gaming.

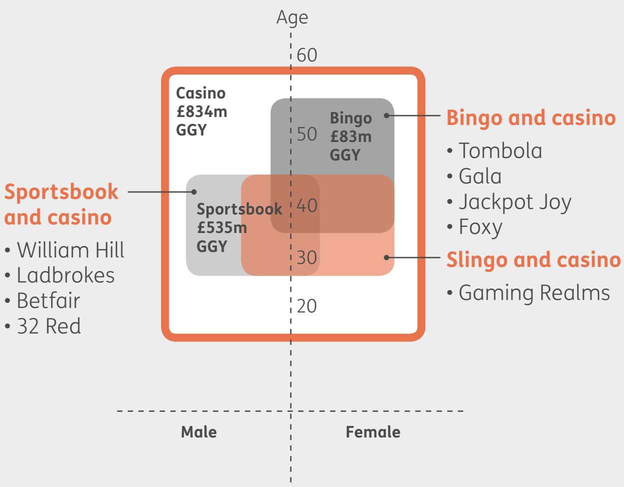
The Group's differentiated mobile offering on Grizzly which includes Slingo games, has led to significant revenue growth, as reflected in the Group's updated trading statement announced on 27 January 2016. The Group has decided to continue to build on this success and focus investment in new games given the significantly superior marketing returns generated on the Grizzly platform. As a result, the Group has agreed to divest of the third-party platform driven website properties.

The Group intends to use the proceeds from the disposals for the development of new gaming content and marketing campaigns.




### Gaming Realms UK market positioning targeting younger female demographic




### £10m+ platform investment

Leading edge Grizzly mobile gaming platform integrated with "GameHub" social metagame platform, powered by algorithmic CRM and personalised content.

# Financial Review

**The Group delivered revenue growth of 116% to £21.2m (12M 2014: £9.8m) as a result of the addition of the GameHouse social mobile business and Slingo IP and games (£2.5m) and strong organic growth on real money gaming which increased 362% to £10.8m (12M 2014: £2.3m).**

## Overview

Gaming Realms has delivered growth of 116% year-on-year to £21.2m (12M 2014: £9.8m, 15M 2014: £11.2m). Real money gambling on the Grizzly platform has grown 362% to £10.8m (12M 2014: £2.3m, 15M 2014: £2.7m). With investment in marketing and development of the platform we had an adjusted EBITDA loss of £4.1m (12M 2014: £5.9m, 15M 2014: £7.8m).

Marketing for the year was £11.5m (12M 2014: £8.1m, 15M 2014: £10.2m) as the Group continued to acquire players to grow its platform and revenues.

During the year, Gaming Realms acquired the free to play Slingo assets and games studios from RealNetworks, Inc. The attributable revenue from acquisition was £2.5m with adjusted EBITDA loss attributed to these assets of £1.4m.

Following the acquisition of the trade and assets of the Slingo free to play apps and game studios from RealNetworks, Inc., we have introduced a new segment, social gaming and licensing, for the US business. The integration of the social free to play business has been integrated well into the Group and we are pleased with the initial contribution from this operation.

## Income statement items

Revenue is made up of £10.8m (2014: £2.7m) from real money gambling on our Grizzly platform, £7.8m (2014: £7.4m) from marketing services and £2.5m from the Slingo assets acquired from RealNetworks, Inc. on 10 August 2015.

The increase in revenue in real money gambling is a reflection of the continuing investment into development, £1.8m (2014: £0.6m) and marketing £6.2m. The marketing has been very successful in the year delivering 78,198 new depositing players at a cost per acquisition of £79. We have also seen positive ROI on marketing within six months after paying point of consumption tax, third-party licences, and ID and transaction fees.

Point of consumption tax was introduced in December 2014 and accounted for £1.5m (2014: £0.4m) cost for real money gambling.

Operating expenses, including point of consumption tax, transaction fees and third-party licences totalled £5.7m (2014: £2.5m). The increase is a result of the introduction of point of consumption tax, and also driven by increased revenues and player deposits. The addition of the Slingo business also accounted for £0.6m of operating costs. The costs are in line with management expectations.

### Social games, Slingo IP acquisition and placing of £12.5m

On 10 August 2015, the Group acquired the following assets from RealNetworks, Inc.: GameHouse US; social and mobile freemium portfolio games and publishing network; Slingo brand and patents; certain game domains including sudoku.com and mahjong.com; an IP licence relating to the GameHouse Promotion Network and the entire issued share capital of Backstage Technologies Inc which includes the Canadian Game studio and collectively have organised these under a new division called Blastworks. The acquisition is in line with the Group's strategy to build an international portfolio of engaging casual gaming brands. This operation is reported in the social gaming and licensing segment. The segment generated revenue of £2.5m and an adjusted EBITDA loss of £1.4m in the period between 10 August 2015 and 31 December 2015.

Total consideration for the acquisition was £12m ($18m) of which £6.9m ($10.7m) was paid in cash on completion with $4m payable on the first anniversary of completion and the remaining $4m payable on the second anniversary. The Group incurred acquisition related costs of £0.3m which have been disclosed in note 4 to the consolidated financial statements.

As part of the acquisition, the Group raised £12.5m for the issue of approximately 50m new ordinary shares as a placing completed on 10 August 2015. Costs incurred in relation to the placing totalled £0.5m.

Details of the fair value of identifiable assets and liabilities acquired, and purchase consideration and goodwill are disclosed in note 25 to the consolidated financial statements.

### Dividend

During the year, Gaming Realms did not pay an interim or final 2014 dividend. The Board of Directors are not proposing a final dividend for the current year.

### Corporation and deferred taxation

The Group received £213,083 in research and development credits in the year and has recognised the unwind of deferred tax of £122,692 (2014: £46,431) on business combinations.

**Mark Segal**
Chief Financial Officer

3 May 2016

To make year-on-year comparison easier, certain comparatives have been adjusted to 12 months to 31 December 2014 on an estimated actual basis as noted in the following table:

| | **1 January 2015 to 31 December 2015 £** | 1 January 2014 to 31 December 2014 £ | Change % | 1 October 2013 to 31 December 2013 £ | 1 October 2013 to 31 December 2014 £ |
|---|---|---|---|---|---|
| Revenue | **21,208,446** | 9,798,299 | 116 | 1,428,907 | 11,227,206 |
| Marketing expenses | **(11,510,755)** | (8,122,725) | 42 | (2,082,995) | (10,205,720) |
| Operating expenses | **(5,725,255)** | (2,089,814) | 174 | (370,364) | (2,460,178) |
| Administrative expenses | **(8,079,852)** | (5,436,039) | 49 | (943,574) | (6,379,613) |
| Adjusted EBITDA* | **(4,107,416)** | (5,850,279) | (30) | (1,968,026) | (7,818,305) |

* EBITDA and adjusted EBITDA are non-GAAP measures and excludes acquisition, restructuring and other expenses as described in note 4 and share based payment charges as described in note 24.

# Principal Risks and Uncertainties

The Board constantly monitors and assesses risks and uncertainties within the Group's trading activities. Unfortunately, there will always be a level of risk which needs to be evaluated against the Group's potential returns in any activity.

| Risk | Description of risk | How this risk is managed |
|---|---|---|
| **REGULATORY AND LEGISLATION** | Online gambling and gaming is subject to a dynamic and complex regulatory regime.<br><br>The Group now holds licences from the Alderney Gambling Control Commission, the UK Gambling Commission and a transactional waiver for New Jersey Division for Gaming Enforcement.<br><br>It is key to the Group to maintain compliance with all licences and any new ones that are required. These are critical to the continuing operation of the Group's gambling activities and also the production and supply of its unique content into both its operations and other third parties. | The Group has a compliance team to ensure that all regulatory guidelines are maintained in its gambling operations. The Group also maintains close legal counsel to advise on any changes to the regulatory framework, as well as updates on territories currently outside the Group's activities. |
| **TAXATION** | From the end of 2014, the Group was subject to point of consumption tax in relation to its gambling activities within the UK. Any changes to the tax rate or the point it is incurred may adversely affect duty payable.<br><br>The Group has legal entities in several jurisdictions, including US, Canada and Alderney. Its real money gambling operations are based in Alderney where there is a zero rate for corporation tax and is outside the scope of VAT. If there was a change to the rate of corporate tax or VAT in Alderney, it would have an adverse effect on the amount of tax payable within the Group. | The Group continues to take advice and be prepared for any adverse changes in the gambling tax regime.<br><br>The Group has undertaken a detailed transfer pricing exercise to ensure that revenue and profits are attributed correctly between the operating locations. |

| Risk | Description of risk | How this risk is managed |
|---|---|---|
| **COMPETITION** | The online and free to play gaming markets are highly competitive in North America and the UK. Failure to be able to hold a competitive advantage would result in attracting less players and have lower engagement on our apps and sites. | In following the Group's strategy of developing new unique IP and content, the Group feels well placed to be able to compete in the markets it operates in. It invests significant resource to be able to improve its development and operations.<br><br>Diverse products and geographies also helps to diversify the risk. |
| **TIME TO MARKET** | The Group invests highly in technology and bringing new products and games to market. A delay in time to market will result in a loss of competitive advantage, a loss in potential revenue and also increasing cost of development. | The Group has invested highly in having a dual product track to allow its products and games to be ready for both licensing and publishing exploitation in the same release.<br><br>Extensive work is undergone on the planning stage to ensure that timeframes can be met and products go live at the highest standard. |
| **THE TEAM** | During the year the team has expanded across multiple locations. The ability to carry out the Group's strategy is dependent on the engagement of its senior management team, its technology, marketing and operations teams. | The Group continues to invest in its employees to ensure that it can attract, recruit and maintain a high quality team.<br><br>To ensure this happens, the Group has taken on a management and engagement course during the year for all roles within the business. |

The 2015 Strategic Report on pages 1 to 13, has been approved by the Board of Directors.

On behalf of the Board

Michael Buckley

**Michael Buckley**
Chairman

3 May 2016

**Patrick Southon**
Chief Executive Officer

3 May 2016

# Board and Executive Management

## BOARD OF DIRECTORS

### Michael Buckley
**Chairman**
Michael Buckley was Chairman of Cashcade, which he founded with Patrick Southon and Simon Collins in 2000. Cashcade became a leading UK-based online gaming company prior to its sale to PartyGaming plc in 2009 for an aggregate sale consideration of £96m for shareholders.

Michael has invested in, and been Chairman of a number of public companies. These include SelecTV plc, a producer of comedy and comedy drama series for television such as Lovejoy, Birds of a Feather and The New Statesman. SelecTV invested in a consortium which in 1991 won the franchise to create Meridian Television of which Michael was a founding Director. He was also Chairman of Pacific Media plc, which invested in a number of internet backbone companies in Asia during the 1990s as well as creating a chain of movie theatres in South East Asia in partnership with United Artists Theatre Circuit Inc. Michael has held other public and private company directorships, having obtained a professional qualification as a chartered accountant in the UK.

### Atul Bali
**Deputy Executive Chairman**
Atul Bali was the President of RealNetworks Games business incorporating GameHouse, Slingo, GPN and other assets in the cross platform casual, social casino and next generation ad serving businesses. He also serves on the Boards of several real money gambling businesses focused on lottery, casino, sports betting and as an adviser to two fintech businesses.

Prior to RealNetworks, he served as the President of Aristocrat Americas, a leading supplier to the Casino industry; the CEO of XEN Group (now Disruptive Technologies Limited) a social media investment fund; President and CEO of GTECH G2 (following a long career in mergers and acquisitions, corporate and global business development).

He trained as a chartered accountant with KPMG in the UK, following a degree in Law and Economics. He lives in Seattle with his wife and three children.

### Patrick Southon
**Chief Executive Officer**
Patrick Southon has been working within the online gambling sector for the last sixteen years. He is particularly focused on marketing, brand building and media buying. Patrick was Managing Director of Cashcade and Managing Partner of NewGame, an investment fund focusing on innovation within the gambling sector. His marketing expertise allowed Cashcade to build a distinctive and prominent brand identity around, among others, its flagship "Foxy Bingo" brand and turned the company into one of the most effective advertisers on British television. Based on research by TNS, Marketing Magazine cited Foxy Bingo as having the best value television advertising between 2008 and 2010.

### Simon Collins
**Executive Director**
Simon Collins was the co-founder and Commercial Director of Cashcade. He formed a range of profitable B2B and affiliate relationships for Cashcade and was an early adopter of both search engine and social network marketing in the monetised digital gaming space. In 2008 and 2009, Cashcade featured in The Sunday Times top 20 fastest growing technology companies and the business won numerous other industry awards. Following the sale of Cashcade, Simon remained at bwin.party until April 2011, where he focused on innovation, research and development as well as the ongoing development of Cashcade's brand in the social networking space. Since leaving bwin.party, Simon joined Patrick Southon in founding NewGame an investment fund focusing on innovation within the gambling sector.

### Mark Segal
**Chief Financial Officer**
Mark Segal joined Gaming Realms in May 2013 having left bwin.party as Finance Director for the bingo vertical. Previous to that Mark was Finance Director of Cashcade until it was acquired by PartyGaming plc in July 2009. Mark was responsible for the full finance function, including commercial negotiations, business intelligence and operational support in the business, and was involved in the sale to PartyGaming plc and acquisition by Cashcade of Independent Technology Ventures in July 2007. Prior to joining Cashcade, in May 2005, Mark spent five years at the accountancy firm Martin Greene Ravden, where he qualified as a chartered accountant in 2003.

### Jim Ryan
**Non-executive Director**
Jim Ryan is the CEO of Pala Interactive, LLC a real money gambling operator focused on the US regulated online gaming market. Prior to Pala Interactive, Jim was the Co-CEO of bwin.party digital entertainment plc. He has spent the last 14 years of his career in leadership roles within the online gaming sector. Jim has led a number of the industry's largest merger and acquisition transactions which include the merger of PartyGaming plc and bwin, the acquisitions of Cashcade (Foxy Bingo) and the World Poker Tour and the sale of St Minver Limited to GTECH. Jim held senior posts at four publicly listed companies. In addition to his role of CEO of PartyGaming plc and Co-CEO of bwin.party digital entertainment plc he was President and CEO of Excapsa Software Inc. and as CFO of CryptoLogic Inc. and CFO of SXC Health Solutions Corp and was CEO of St. Minver Limited. Jim also held senior management posts at Procuron Inc., Metcan Information Technologies Inc. and Epson Canada Limited. Educated at Brock University (Goodman School of Business) in Ontario, Canada, where he obtained a business degree with first class honours, Jim obtained professional qualifications as a chartered accountant and certified public accountant from the Canadian Institute of Chartered Accountants.

### Mark Wilson
**Non-executive Director**
Mark Wilson is a strategic adviser and investor in media, gaming and real estate. Mark has held multiple senior leadership positions, serving as CEO of Television Games Network, Executive Chairman of Music Choice International, President of Hubbard Enterprises, Managing Member of New Mexico Gaming LLC, and General Counsel and Corporate Secretary of Churchill Downs. He received a Juris Doctorate from the University of Louisville.

# EXECUTIVE MANAGEMENT

## Stephen Downer
**Chief Operating Officer**
Stephen Downer has more than fifteen years of experience in online gaming. As Director of Gaming at Sky Bet for ten years, he launched and ran Sky Vegas, Sky Poker and Sky Bingo until 2012. A year later, Stephen led Betfair's online casino launch in New Jersey, and more recently managed Betfair's regulated sports betting and gaming businesses in Spain, Denmark and Bulgaria.

## David Hampstead
**Chief Technology Officer**
David Hampstead is a J2EE, database and Amazon EC2 expert who has worked designing and implementing enterprise information systems since leaving university in 2001.

David is an avid casual gamer and whilst, as CTO, a lot of his best work is done "under the hood" he is highly hands-on in his approach to engineering, working closely with the game developers and is a major contributor to product design.

## Simon Smiley
**Chief Marketing Officer**
Starting his career in 2004 as a Mecca Bingo management trainee, Simon Smiley became a successful licensed general manager for a number of high turnover bingo clubs in the UK. In 2008, he joined Ladbrokes as their head of online bingo, four months later he left to found QuickThink Media.

Simon has extensive experience buying online media across multiple channels. Over the years Simon has spoken at a number of gaming industry events including: EIG, EGR's Power 50 and the Online Bingo Summit.

## Philip Tuck
**Business Intelligence Director**
Philip Tuck is a specialist in algorithmic development, machine learning, predictive modelling, database management/ construction and behavioural science within the real money gambling and social gaming space.

He brings a consistent track record of delivering algorithmic CRM systems, managing analytics platforms and utilising ROI focused BI across a wide range of gaming products and companies, including Betfair, Ladbrokes and Gaming Realms, and is a regular speaker on the gaming and data conference circuit.

## Paul Gielbert
**Managing Director of Bear Group Limited**
Paul Gielbert has nineteen years' experience within the gaming industry, in offline, online, social and mobile environments. Initially starting out working for Mecca Bingo, Paul has ten years' experience as a licensed manager in the retail gaming sector. Moving to the online side of the industry in 2007, Paul has since managed the first ever live-streaming bingo site and worked in management roles for Ladbrokes and Gala before moving to Gaming Realms where he is the Managing Director of Bear Group, running the Alderney licensed operation.

## Paul Brownlow
**Chief Product Officer**
Paul Brownlow leads the product strategy and execution for all Blastworks (Social Division) games. Previously, he was general manager of Mobile at DoubleDown Interactive, where he led the launch the mobile DoubleDown Casino and grew it to a #1 top-grossing app. He also led development of one of the first mobile ad platforms for aQuantive (Atlas), and co-founded GalleryPlayer, where his team developed an HD content distribution platform that was adopted by several major television manufacturers. He has served as start-up and growth adviser to several companies in the Seattle area and at the University of Washington Foster School of Business. He's a long-time fan of Jetpack Joyride, craft beer and road trips.

## David Hoppe
**General Manager – Commercial & Business Development**
David Hoppe manages performance marketing, analytics, data science and business development for Blastworks' mobile/social studios. Formerly a Director of business operations for Xbox Live with Microsoft, David is also a founding member of two game development start-ups (Flashlight Creations and Tenacious Games) and served as SVP of Brand and Product at Wizards of the Coast during the meteoric rise of both Magic: The Gathering and Pokémon game franchises, which resulted in a $600m sale of Wizards to Hasbro, Inc. in 2000.

# Directors' Report

## For the year ended 31 December 2015

The Directors present their annual report together with the audited financial statements for the year ended 31 December 2015.

### Principal activities

The Group's principal activities during the year continued to be that of the provision and marketing of interactive bingo and casino services to customers in the UK and social gaming on Facebook to customers in the US and Europe.

These financial statements present the results of the Group from 1 January 2015 to 31 December 2015.

### Names of Directors and dates of any changes

The Directors who served during the year and to the date of this report were:

Michael Buckley
Atul Bali
Patrick Southon
Mark Segal
Simon Collins
Jim Ryan
Mark Wilson

### Results and dividends

The results for the year are set out on page 20. The Company will not be paying a dividend this year.

### Disclosures to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

BDO LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed for the Annual General Meeting in accordance with section 489 of the Companies Act 2006.

Details of the Group's business review, principal risks and uncertainties, key performance indicators and other matters are given in the Strategic Report.

### Financial instruments

Details of the Group's financial risk management objectives and policies are included in note 20 to the consolidated financial statements.

### Research and development

The Group maintains its level of investment in software development activities. In the opinion of the directors, continued investment in this area is essential to strengthen the Group's market position and for future growth.

During the year the Group claimed Research and Development relief as per note 11.

### Events after reporting date

On 2 March 2016, the Company raised £1,525,000 by issuing 7,625,000 shares at £0.20 per share.

On 4 March 2016, the Group disposed of the third-party platform driven website properties, for a total consideration of £2.4m to Silverspin Media Limited and Black Spark Media Limited. Black Spark Media paid the Group an up-front cash payment of £1.2m. The remaining £1.2m of the total consideration, payable by Silverspin Media, was settled by way of waiving the final earn out payments to the previous shareholders of Blueburra Holdings Limited. This is due as part of the three-year earn out and is being settled at a reduced rate by the Group. Chris Phillips and Scott Logan, shareholders of Silverspin Media, and also Directors of the Company's subsidiaries Blueburra Holdings Limited and Digital Blue Limited and are therefore classified as related parties.

### Future developments

Future developments are discussed in the Chairman's and Chief Executive's Statements.

Approval and signature

**Patrick Southon**
Chief Executive Officer

3 May 2016

# Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and the Parent Company financial statements in accordance with applicable law and UK accounting standards (UK Generally Accepted Accounting Practice "GAAP"), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market ("AIM").

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

# Corporate Governance

## Corporate governance

Although companies traded on AIM are not required to provide corporate governance disclosure, or follow guidelines in the UK Corporate Governance Code (the "Code") issued by the Financial Reporting Council ("FRC"), the Directors recognise the value and importance of high standards of corporate governance.

Given the Company's size and the constitution of the Board, the following is a brief summary of the main aspects of corporate governance currently in place.

The Board has established an Audit Committee and a Remuneration Committee with formally delegated responsibilities.

The Remuneration Committee is chaired by Mark Wilson. Its other members are currently Michael Buckley and Jim Ryan. This Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives. The Board sets the remuneration, and terms and conditions of appointment of the non-executive Directors.

The Audit Committee is chaired by Jim Ryan. Its other members are Mark Wilson and Michael Buckley. The Committee determines the terms of engagement of the Company's auditors and, in consultation with them, the scope of the audit. It receives and reviews reports from management and the Company's auditors relating to the interim and annual financial statements and the accounting and internal control systems in use by the Group. The Audit Committee has unrestricted access to the Company's auditors. Under its terms of reference, the Audit Committee monitors, amongst other matters, the integrity of the Group's financial statements. The Committee is responsible for monitoring the effectiveness of the external audit process and making recommendations to the Board in relation to the re-appointment of the external auditors. It is responsible for ensuring that an appropriate business relationship is maintained between the Group and the external auditors, including reviewing non-audit services and fees. The Committee meets with the Executive Directors and management as well as meeting privately with the external auditors.

As the Board is small, there is not a separate Nominations Committee and the Board as a whole considers recommendations for appointments to the Board.

The Directors follow the guidance set out by Rule 21 of AIM Rules relating to dealings by Directors in the Company's securities and, to this end, the Company has adopted an appropriate share dealing code.

## Going concern

Under company law, the Company's Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Group and Company are a going concern. As part of the normal business practice the Group prepares annual and three-year plans and, in reviewing this information, the Company's Directors are satisfied that the Group and the Company have reasonable resources and future cash flows to enable them to continue in business for the foreseeable future. For this reason, the Company and Group continue to adopt the going concern basis in preparing the financial statements.

# Independent Auditor's Report to the Members of Gaming Realms plc

We have audited the financial statements of Gaming Realms plc for the year ended 31 December 2015 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated and Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 "Reduced Disclosure Framework".

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Directors and auditors
As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's ("FRC's") Ethical Standards for Auditors.

### Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

### Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Kieran Storan (senior statutory auditor)**
For and on behalf of BDO LLP, statutory auditor
London

3 May 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Consolidated Statement of Profit and Loss and Other Comprehensive Income

## For the year ended 31 December 2015

| | Note | 1 January 2015 to 31 December 2015 £ | 1 October 2013 to 31 December 2014 £ |
|---|---|---|---|
| **Revenue** | | **21,208,446** | 11,227,206 |
| Marketing expenses | 3 | **(11,510,755)** | (10,205,720) |
| Operating expenses | 3 | **(5,725,255)** | (2,460,178) |
| Administrative expenses | 3 | **(8,079,852)** | (6,379,613) |
| **Adjusted EBITDA*** | | **(4,107,416)** | (7,818,305) |
| Acquisition costs | 4 | **(318,853)** | (140,773) |
| Restructuring costs | 4 | **–** | (80,839) |
| Share-based payment | 24 | **(673,730)** | (438,169) |
| **EBITDA** | | **(5,099,999)** | (8,478,086) |
| Amortisation of intangible assets | 3 | **(2,230,940)** | (1,277,357) |
| Depreciation of property, plant and equipment | 3 | **(59,861)** | (41,252) |
| Finance expense | 10 | **(393,579)** | (57,355) |
| Finance income | 10 | **7,579** | 14,601 |
| **Loss before tax** | | **(7,776,800)** | (9,839,449) |
| Tax credit | 11 | **335,775** | 92,399 |
| **Loss for the financial year attributable to owners of the parent** | | **(7,441,025)** | (9,747,050) |
| **Other comprehensive income** | | | |
| Exchange gain arising on translation of foreign operations | | **605,546** | – |
| **Total other comprehensive income** | | **605,546** | – |
| **Total comprehensive income** | | **(6,835,479)** | (9,747,050) |
| **Earnings per share** | | | |
| **Loss per share** | | | |
| Basic and diluted (pence) | 12 | **(3.45)** | (5.90) |

The notes on pages 24 to 45 form part of these financial statements.

* EBITDA and adjusted EBITDA are non-GAAP measures and excludes acquisition, restructuring and other expenses as described in note 4 and share-based payment charges as described in note 24.

# Consolidated Statement of Financial Position

## As at 31 December 2015

| | Note | 31 December 2015 £ | 31 December 2014 £ |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **189,652** | 143,164 |
| Goodwill | 14 | **18,092,116** | 13,543,905 |
| Intangible assets | 14 | **10,835,685** | 3,213,519 |
| Other assets | 15 | **152,000** | 158,500 |
| | | **29,269,453** | 17,059,088 |
| **Current assets** | | | |
| Trade and other receivables | 17 | **4,018,084** | 2,224,741 |
| Cash and cash equivalents | 16 | **2,536,388** | 4,013,894 |
| | | **6,554,472** | 6,238,635 |
| **Total assets** | | **35,823,925** | 23,297,723 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 18 | **4,327,965** | 2,750,136 |
| Loans and borrowings | 19 | **–** | 14,504 |
| Deferred and contingent consideration | 25, 26 | **4,990,966** | 2,500,000 |
| | | **9,318,931** | 5,264,640 |
| **Non-current liabilities** | | | |
| Deferred tax liability | | **1,232,597** | 39,288 |
| Deferred and contingent consideration | 25, 26 | **2,474,533** | 2,387,648 |
| | | **3,707,130** | 2,426,936 |
| **Total liabilities** | | **13,026,061** | 7,691,576 |
| **Net assets** | | **22,797,864** | 15,606,147 |
| **Equity** | | | |
| Share capital | 21 | **24,920,829** | 19,517,049 |
| Share premium | 22 | **85,127,955** | 78,119,547 |
| Merger reserve | 22 | **(68,393,657)** | (69,334,935) |
| Foreign exchange reserve | 22 | **605,546** | – |
| Retained earnings | 22 | **(19,462,809)** | (12,695,514) |
| **Total equity attributable to owners of the parent** | | **22,797,864** | 15,606,147 |

The notes on pages 24 to 45 form part of these financial statements. The financial statements were approved and authorised for issue by the Board of Directors on 3 May 2016 and were signed on its behalf by:

**Patrick Southon**
Chief Executive Officer

# Consolidated Statement of Cash Flows

## For the year ended 31 December 2015

| | Note | 2015 £ | 2014 £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss for the year | | **(7,441,025)** | (9,747,050) |
| *Adjustments for:* | | | |
| Depreciation of property, plant and equipment | 13 | **59,861** | 41,252 |
| Amortisation of intangible assets | 14 | **2,230,940** | 1,277,357 |
| Finance income | 10 | **(7,579)** | (14,601) |
| Finance expense | 10 | **254,462** | 57,355 |
| Unwind of deferred tax recognised on business acquisitions | 11 | **(122,692)** | (46,431) |
| Loss on disposal of property, plant and equipment | 13 | **42,372** | 30,243 |
| Loss on disposal of intangible assets | 14 | **106,043** | – |
| Share-based payment expense | 24 | **673,730** | 438,169 |
| (Increase)/decrease in trade and other receivables | | **(1,177,150)** | 39,776 |
| Increase/(decrease) in trade and other payables | | **1,458,801** | (22,760) |
| Decrease/(increase) in other assets | | **6,500** | (99,402) |
| **Net cash from operating activities** | | **(3,915,737)** | (8,046,092) |
| **Cash flow from investing activities** | | | |
| Acquisition of business and subsidiary, net of cash acquired | 25,26 | **(6,652,050)** | (3,290,311) |
| Purchases of property, plant and equipment | 13 | **(68,055)** | (107,240) |
| Purchase of intangible assets | 14 | **(1,805,913)** | (583,364) |
| Interest received | 10 | **7,579** | 14,601 |
| **Net cash from investing activities** | | **(8,518,439)** | (3,966,314) |
| **Cash flow from financing activities** | | | |
| Proceeds of ordinary share issue | | **12,500,000** | 11,938,999 |
| Issuance cost of shares | | **(501,534)** | (130,702) |
| Payment of contingent consideration | | **(1,250,000)** | (825,000) |
| Fair value adjustment to contingent consideration | | **(134,017)** | – |
| Foreign exchange loss on deferred consideration | | **273,134** | – |
| Contingent consideration on prior period acquisitions | | **105,000** | – |
| Repayment of other loans | 19 | **(14,504)** | (30,000) |
| Interest paid | 10 | **(21,409)** | (10,035) |
| **Net cash from financing activities** | | **10,956,670** | 10,943,262 |
| **Net decrease in cash and cash equivalents** | | **(1,477,506)** | (1,069,144) |
| **Cash and cash equivalents at beginning of year** | | **3,994,326** | 5,063,470 |
| **Cash and cash equivalents at end of year** | 16 | **2,516,820** | 3,994,326 |

The notes on pages 24 to 45 form part of these financial statements.

# Consolidated Statement of Changes in Equity

## For the year ended 31 December 2015

| | Share capital £ | Share premium £ | Shares to be issued £ | Merger reserve £ | Foreign exchange reserve £ | Retained earnings £ | Total equity £ |
|---|---|---|---|---|---|---|---|
| 1 October 2013 | 14,633,369 | 70,437,354 | – | (71,077,359) | – | (3,365,204) | 10,628,160 |
| Loss for the period | – | – | – | – | – | (9,747,050) | (9,747,050) |
| Shares issued as part of the consideration in a business combination | 757,576 | – | – | 1,742,424 | – | – | 2,500,000 |
| Shares issued as part of the capital raising | 4,126,104 | 7,812,895 | – | – | – | – | 11,938,999 |
| Cost of issue of ordinary share capital | – | (130,702) | – | – | – | – | (130,702) |
| Shares to be issued | – | – | 803,571 | – | – | – | 803,571 |
| Settlement of shares to be issued | – | – | (803,571) | – | – | (21,429) | (825,000) |
| Share-based payment on share options | – | – | – | – | – | 438,169 | 438,169 |
| 31 December 2014 | 19,517,049 | 78,119,547 | – | (69,334,935) | – | (12,695,514) | 15,606,147 |
| Loss for the year | **–** | **–** | **–** | **–** | **–** | **(7,441,025)** | **(7,441,025)** |
| Other comprehensive income | **–** | **–** | **–** | | **605,546** | **–** | **605,546** |
| **Total comprehensive income for the year** | **–** | **–** | **–** | **–** | **605,546** | **(7,441,025)** | **(6,835,479)** |
| **Contributions by and distributions to owners** | | | | | | | |
| Shares issued as part of the consideration in a business combination | **413,722** | **–** | **–** | **941,278** | **–** | **–** | **1,355,000** |
| Shares issued as part of the capital raising | **4,990,058** | **7,509,942** | **–** | **–** | **–** | **–** | **12,500,000** |
| Cost of issue of ordinary share capital | **–** | **(501,534)** | **–** | **–** | **–** | **–** | **(501,534)** |
| Share-based payment on share options (note 24) | **–** | **–** | **–** | **–** | **–** | **673,730** | **673,730** |
| **31 December 2015** | **24,920,829** | **85,127,955** | **–** | **(68,393,657)** | **605,546** | **(19,462,809)** | **22,797,864** |

The notes on pages 24 to 45 form part of these financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

## 1. Accounting policies

**General information**
Gaming Realms plc (the "Company") and its subsidiaries (together the "Group").

The Company is admitted to trading on AIM of the London Stock Exchange. It is incorporated and domiciled in the UK. The address of its registered office is One Valentine Place, London, SE1 8QH.

**Basis of preparation**
The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below.

The consolidated financial statements are presented in sterling.

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRSs") as adopted by the EU.

The preparation of financial statements in compliance with adopted IFRSs requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant estimates and judgements have been made in preparing the financial statements and their effects are disclosed in note 2.

**Basis of consolidation**
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 31 December 2015 and the results of all subsidiaries for the year then ended.

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

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

**Revenue**
Revenue comprises net gaming revenue derived from real money gambling, commissions on marketing services, licensing, advertising and social gaming.

**Net gaming revenue derived from real money gambling**
Net gaming revenue derives from online gambling operations and is defined as the difference between the amounts of bets placed by the players less amounts won by players. It is stated after deduction of certain bonuses, jackpots and prizes granted to players.

Net gaming revenue is recognised to the extent that its probable 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.

**Marketing services**
Revenue is derived from marketing services provided in relation to online bingo and casino products. The commission revenue is calculated either as a percentage of net gaming revenue from the operators or in line with contracts (typically based on fixed price per player). Commission revenue is recognised to the extent that the probable 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.

Revenue is also derived from digital marketing services provided to both gaming and non-gaming clients. The revenue is calculated as a percentage of marketing spend and is recognised as a percentage of completion.

## 1. Accounting policies continued

**Advertising revenue**

Advertising revenue derives from contractual relationships with agencies, advertising brokers and certain advertisers for advertisements within our social games. Advertising revenue is recognised to the extent that it is probable 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.

**Social gaming revenue**

Social gaming revenue derives from the purchase of credits and awards on the social gaming sites. Social gaming revenue is recognised to the extent that it is probable 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.

**Licensing revenue**

Licensing revenue derives from contractual relationships for the use of intellectual property. License fees are recognised over the estimated period of benefit of the license to the licensee. Revenue is recognised where substantially all risk and rewards have been transferred and there are no further monetary or financial obligations to be fulfilled by the licensor.

**Adjusted EBITDA**

EBITDA is a non-GAAP, company specific measure. Adjusted EBITDA excludes adjusting items from EBITDA. Adjusting items are non-recurring material items which are outside the normal scope of the Group's ordinary activities. These items are separately disclosed in order to enhance the reader's understanding of the Group's profitability and cash flow generation. Adjusting items include costs arising from a fundamental restructuring of the Group's operations, acquisition costs and share-based payment charges.

**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 plus, if the business combination is achieved in stages, the fair value of the existing equity interest 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. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

**Impairment of non-financial assets (excluding inventories, investment properties and deferred tax 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 (ie 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 a business combination that gives rise to the 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.

**Foreign currency**

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "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 the retranslation of unsettled monetary assets and liabilities are recognised immediately in the Statement of Comprehensive Income.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2015

**1. Accounting policies** continued

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

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

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

**Financial assets**

The Group classifies its financial assets depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

The Group's accounting policies for financial assets are as follows:

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (eg trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions 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 terms receivable, the amount of such a provision being the difference between 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 consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables comprise trade and other receivables, and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

**Financial liabilities**

Financial liabilities held by the Group consist of deferred and contingent consideration, customer funds, trade payables and other short-term monetary liabilities.

Financial liabilities are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument and with the exception of deferred and contingent consideration, subsequently recognised at amortised cost. Contingent consideration arising from business combinations that is classified as liability is subsequently measured at fair value through profit and loss. Deferred consideration arising from business combinations is recognised at present value and unwound over the period until settlement.

**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.

The Group's ordinary shares are classified as equity instruments.

## 1. Accounting policies continued

**Share-based payments**

Where equity-settled share options are awarded to employees, 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 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.

The fair value of share options issued without market-based vesting conditions is measured by the application of the Black-Scholes option pricing model by reference to the grant date of the options. The fair value of share options issued with market-based vesting conditions is measured by use of the Monte Carlo method.

**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.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or arise from other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below).

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.

**Internally generated intangible assets (development costs)**

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the Group is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed.

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.

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

| Intangible asset | Useful economic life |
|---|---|
| Customer databases | 1–2 years |
| Development costs | 3 years |
| IP | 8 years |
| Domain name | 2–3 years |
| Software | 3 years |

## 1. Accounting policies continued

**Deferred taxation**

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

› The initial recognition of goodwill.

› The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit.

› Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

**Property, plant and equipment**

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less estimated residual value, of each asset evenly over its expected useful life as follows:

| | |
|---|---|
| Office, furniture and equipment | 20% per annum straight-line |
| Computer equipment | 33% per annum straight-line |
| Leasehold improvements | Over the life of the lease |

**Player liabilities**

Liabilities to players comprise the amounts that are credited to customers' accounts including provision for bonuses granted by the Group. These amounts are repayable in accordance with the applicable terms and conditions.

**Provisions**

Provisions are recognised when the Group has a present or constructive obligation as a result of a past event from which it is probable that it will result in an outflow of economic benefit that can be reasonably estimated. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific the liability.

**Standards and interpretations**

Management are considering the potential impact of IFRS 15 Contracts with customers and IFRS 16 Leases, but do not expect the new standards, interpretations and amendments, which are effective for periods beginning after 1 January 2016 and which have not been adopted early, to have a material effect on the Group's future financial information.

## 2. Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**Estimates**

(a) Impairment of goodwill and other intangible assets

Goodwill and other intangible assets are reviewed for impairment and their values are written-down on the basis of the Group's expectations of future economic benefits expected to be received by the Group. Any process which attempts to estimate future outcomes is subject to uncertainty. Where it is believed that the estimation uncertainty can give rise to material differences in asset carrying values, this will be stated in the relevant notes to the financial statements.

## 2. Critical accounting estimates and judgements continued

(b) Amortisation of development costs
Capitalised development costs are subject to amortisation over its useful life and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group amortises the assets over the life of the product. The estimated useful life of these assets at period end is three years.

(c) Deferred tax
Deferred tax assets and liabilities are recognised for temporary differences and for tax loss carry-forwards. The assessment of temporary differences and tax loss carry-forwards is based on management's estimates of future taxable profits against which the temporary differences and loss carry-forwards may be utilised.

The Group has not recognised a deferred tax asset in respect of their losses given that this is the Group's third period of operation and there is no track record of taxable profits at this time. Deferred tax assets will be recognised when the Group has established a track record of expected future taxable profit.

(d) Determination of the fair value of contingent consideration
The fair value of contingent consideration is based on the probability of expected cash flow outcomes and the assessment of present values using appropriate discount rates. Further details in relation to key estimates and judgements are set out in note 26.

**Judgements**

(a) Revenue recognition
Social gaming revenue is recognised as the service is delivered. This is considered to be when the player buys credits to play the game on the basis that there is no further service to be delivered. In addition, revenue generated from in app ads are recognised when the advertisement is displayed or offer has been completed by the customer and confirmed by third-party reports.

Net gaming revenue is derived from real money gambling and is recognised as the total wagers less wins less promotional money to players.

Other revenue comprises of affiliate services and marketing services.

(b) Capitalisation and amortisation of development costs
The identification of development costs that meet the criteria for capitalisation is dependent on management's judgement and knowledge of the work done. Development costs of gaming software platforms are separately identified. Judgements are based on the information available at each period end. Economic success of any development is assessed on a reasonable basis but remains uncertain at the time of recognition.

(c) Valuation of assets acquired on business combinations
Identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. The identified intangibles are capitalised if they are separable from the acquired entity or arise from other contractual or legal rights. The amounts ascribed to these assets are arrived at by using appropriate valuation techniques to determine the fair value. Capitalised intangible assets are amortised over the useful economic life of the assets. This has ranged between 1 to 8 years for acquisitions to date.

## 3. Expenses by nature

| | **2015**<br>**£** | 2014<br>£ |
|---|---|---|
| **Operating, administrative and marketing expenses includes:** | | |
| Employee benefit expenses (see note 8) | **6,186,605** | 4,553,714 |
| Depreciation of property, plant and equipment | **59,861** | 41,252 |
| Amortisation of intangible assets | **2,230,940** | 1,277,357 |
| Advertising expenses | **11,510,755** | 10,205,720 |

# Notes to the Consolidated Financial Statements continued
For the year ended 31 December 2015

## 4. Adjusted EBITDA

| | 2015 £ | 2014 £ |
|---|---|---|
| Acquisition costs | **318,853** | 140,773 |
| Restructuring costs | **–** | 80,839 |
| Share-based payments | **673,730** | 438,169 |
| | **992,583** | 659,781 |

During the year, the Group incurred acquisition fees of £318,853 for the acquisition of gaming assets and Backstage Technologies Inc. from RealNetworks, Inc.

## 5. Auditor's remuneration
During the year the Group obtained the following services from the Company's auditor:

| | 2015 £ | 2014 £ |
|---|---|---|
| Fees payable to the Company's auditor for the audit of consolidated and subsidiary financial statements | **106,727** | 86,700 |
| Fees payable to the Company's auditor for other services: | | |
| – Acquisition and assurance services | **24,227** | 44,000 |
| – Tax compliance services | **14,601** | 24,675 |
| – Tax advisory services | **18,235** | – |

## 6. Key management personnel remuneration

| | 2015 £ | 2014 £ |
|---|---|---|
| Short-term benefits of key management personnel | **1,496,837** | 1,148,279 |
| Post-employment benefits of key management personnel | **40,014** | 9,800 |
| Share-based benefits of key management personnel | **291,960** | 238,729 |
| | **1,828,811** | 1,396,808 |

The table represents remuneration paid to the key management personnel (which include Directors) of the consolidated entity.

## 7. Directors' remuneration
The following table presents the Directors' remunerations of the Company for the year ended 31 December 2015.

| | Salary and fees £ | Benefits £ | 2015 Total £ | 2014 Total £ |
|---|---|---|---|---|
| Michael Buckley | **60,000** | **–** | **60,000** | 51,667 |
| Patrick Southon | **134,050** | **7,233** | **141,283** | 152,572 |
| Simon Collins | **120,300** | **6,296** | **126,596** | 139,906 |
| Mark Segal | **130,300** | **7,216** | **137,516** | 139,980 |
| Jim Ryan | **40,000** | **–** | **40,000** | 56,667 |
| Mark Wilson | **40,000** | **–** | **40,000** | 56,667 |
| Atul Bali | **134,792** | **4,826** | **139,618** | 26,667 |
| | **659,442** | **25,571** | **685,013** | 624,126 |

### Directors' interests in long-term incentive plans
The Directors' ordinary shares in the Company, were as follows:

| £0.10 ordinary shares | 2015 Number of shares | 2014 Number of shares |
|---|---|---|
| Michael Buckley | **21,000,000** | 16,600,000 |
| Patrick Southon | **11,585,501** | 10,397,039 |
| Simon Collins | **10,524,924** | 10,347,039 |
| Mark Segal | **740,761** | 644,607 |
| Jim Ryan | **1,384,615** | 384,615 |
| Mark Wilson | **384,615** | 384,615 |
| Atul Bali | **1,000,000** | – |

## 7. Directors' remuneration continued

The Directors' interests in share options, over ordinary shares in the Company, were as follows:

| | Option at 1 January 2015 | Option granted | Options lapsed | Option at 31 December 2015 | Exercise price | Hurdle price | Date of grant |
|---|---|---|---|---|---|---|---|
| Michael Buckley[1] | 5,769,230 | – | – | 5,769,230 | £0.01 | £0.20 | 1 August 2013 |
| Patrick Southon[1] | 5,769,230 | – | – | 5,769,230 | £0.01 | £0.20 | 1 August 2013 |
| Simon Collins[1] | 4,615,384 | – | – | 4,615,384 | £0.01 | £0.20 | 1 August 2013 |
| Mark Segal[1] | 3,076,923 | – | – | 3,076,923 | £0.01 | £0.20 | 1 August 2013 |
| Jim Ryan[2] | 769,230 | – | – | 769,230 | £0.13 | – | 1 August 2013 |
| Mark Wilson[2] | 769,230 | – | – | 769,230 | £0.13 | – | 1 August 2013 |
| Atul Bali[3,4] | 750,000 | 5,000,000 | – | 5,750,000 | £0.23 | – | 17 June 2014, 10 October 2015 |

1 On 1 August 2013, the Company granted options to B shares under the Gaming Realms 2013 EMI plan. The B share value will be 20 pence less than the prevailing price of the ordinary shares and will therefore have no value unless the value of the new ordinary shares exceeds 20 pence. EMI options can only be granted to employees who meet the statutory working time requirement, and cannot normally be exercised before 15 July 2015. All options granted under the New Share Option Scheme on Admission will be exercisable over B shares at their nominal value of £0.01 and will be capable of exercise, subject to certain exceptions, after two years of the date of grant.

2 On 1 August 2013, the Company granted Unapproved Options which have the same rights as the options granted over the B shares under the Gaming Realms 2013 EMI plan, save that the exercise price will be 13 pence per ordinary share.

3 On 17 June 2014, the Company granted Unapproved Options which have the same rights as the options granted over the B shares under the Gaming Realms 2013 EMI plan, save that the exercise price will be 23 pence per ordinary share.

4 On 10 October 2015, the Company granted Unapproved Options which have the same rights as the options granted over the B shares under the Gaming Realms 2013 EMI plan, save that the exercise price will be 23 pence per ordinary share.

## 8. Employee benefit expenses

| | **2015 £** | 2014 £ |
|---|---|---|
| Employee benefit expenses (including Directors) comprise: | | |
| Wages and salaries | **5,970,983** | 4,164,705 |
| Share-based payment expense (note 24) | **673,730** | 438,169 |
| Social security contributions and similar taxes | **640,604** | 458,909 |
| Pension contributions | **144,107** | 48,781 |
| | **7,429,424** | 5,110,564 |
| Staff costs capitalised in respect of internally generated intangible assets | **(1,242,819)** | (556,850) |
| | **6,186,605** | 4,553,714 |

The Group makes contributions to defined contribution plans and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. The assets of the individual schemes are held separately from those of the Group in independently administered funds.

| | **2015 £** | 2014 £ |
|---|---|---|
| The average number of persons, including Directors: | | |
| Operational | **32** | 17 |
| Development | **39** | 21 |
| Marketing | **27** | 10 |
| Management and administrative | **23** | 17 |
| | **121** | 65 |

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2015

### 9. Segment information

The Board is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board for the purposes of allocating resources and assessing performance. The Group has two reportable segments. The social gaming provides freemium gaming and licensing services to the US and Europe. The real money gambling products and marketing services operates our brands and provides other digital marketing services to both gaming and non-gaming clients in the UK.

**Revenue by product**

| | **2015** **£** | 2014 £ |
|---|---|---|
| Real money gambling | **10,801,303** | 2,667,596 |
| Social gaming and licensing | **2,537,158** | 1,176,082 |
| Marketing services | **7,839,299** | 7,383,528 |
| Other | **30,686** | – |
| | **21,208,446** | 11,227,206 |

There was 1 (2014: 1) customer who generated more than 10% of total revenue. Total sales to this customer, which received marketing services, in the year were £1,296,670 (2014: £1,338,882). This major customer receives marketing services from the Group.

**Geographical information**

The Group considers that its primary geographic regions are the UK, including the Channel Islands, US and the rest of the world. No revenue is derived from real money gambling in the US. Revenues from customers outside the UK (including the Channel Islands) and the US are not considered sufficiently significant to warrant separate reporting. All non-current assets are based in the UK.

| | **External revenue by location of customers 2015 £** | External revenue by location of customers 2014 £ |
|---|---|---|
| UK, including the Channel Islands | **17,656,043** | 9,850,955 |
| US | **1,752,753** | 878,868 |
| Rest of the world | **1,799,650** | 497,383 |
| | **21,208,446** | 11,227,206 |

The acquisition during the year (see note 25) formed a new segment for the Group, which was previously managed as one segment. Segmental reporting for the year is as below:

| | Real money gambling and marketing services £ | Social gaming and licensing £ | Other* £ | Total 2015 £ |
|---|---|---|---|---|
| **Revenue** | **18,640,602** | **2,537,158** | **30,686** | **21,208,446** |
| **Adjusted EBITDA** | **(831,773)** | **(1,389,042)** | **(1,886,601)** | **(4,107,416)** |
| Listing and acquisition costs | | | | **(318,853)** |
| Share-based payment | | | | **(673,730)** |
| **EBITDA** | | | | **(5,099,999)** |
| Amortisation of intangible assets | | | | **(2,230,940)** |
| Depreciation of property, plant and equipment | | | | **(59,861)** |
| Finance expense | | | | **(393,579)** |
| Finance income | | | | **7,579** |
| **Loss before tax** | | | | **(7,776,800)** |

* Other segment noted above includes unallocated head office activities.

## 10. Finance income and expense

| | 2015 £ | 2014 £ |
|---|---|---|
| **Finance income** | | |
| Interest received | **7,579** | 14,601 |
| **Total finance income** | **7,579** | 14,601 |
| | | |
| **Finance expense** | | |
| Bank interest expense paid | **21,409** | 10,035 |
| Deferred and contingent consideration unwinding | **233,053** | 47,320 |
| Fair-value adjustment of contingent consideration | **(134,017)** | – |
| Foreign exchange movement on deferred consideration | **273,134** | – |
| **Total finance expense** | **393,579** | 57,355 |

The deferred consideration in relation to the acquisition from RealNetworks, Inc. was retranslated at the year-end exchange rate which resulted in a £273,134 charge in the current year. In addition to this, the Blueburra Holdings Limited contingent consideration was settled post year-end through the disposal of the white labels as set out in note 29, the credit represents a fair value adjustment to the contingent consideration.

## 11. Tax expense

| | 2015 £ | 2014 £ |
|---|---|---|
| **Tax expense** | | |
| Current tax expense | | |
| Current tax credit on losses for the year | **213,083** | 45,968 |
| **Total current tax** | **213,083** | 45,968 |
| Deferred tax expense | | |
| Origination and reversal of temporary differences | **122,692** | 46,431 |
| **Total deferred tax** | **122,692** | 46,431 |
| **Total tax credit** | **335,775** | 92,399 |

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

| | 2015 £ | 2014 £ |
|---|---|---|
| Loss for the year | **(7,776,800)** | (9,839,449) |
| Expected tax at effective rate of corporation tax in the UK of 20.25% (2014: 21.75%) | **(1,574,802)** | (2,140,080) |
| *Tax effect of:* | | |
| Expenses not deductible for tax purposes | **273,077** | 120,098 |
| Depreciation in excess of capital allowances | **18,501** | 8,972 |
| Effects of overseas taxation | **316,501** | 75,736 |
| Adjustment in respect of loss carried back | **–** | (45,968) |
| Unwind of deferred tax recognised on business acquisitions | **(122,692)** | (46,431) |
| Research and development tax credit | **(213,083)** | – |
| Tax losses carried forward | **966,723** | 1,935,274 |
| **Total tax credit** | **(335,775)** | (92,399) |

**Changes in tax rates and factors affecting the future tax charge**

On 26 March 2015, the Finance Act received Royal Assent and so the previously announced reduced rate of corporation tax of 20% from 1 April 2015 was substantively enacted. Accordingly, deferred tax balances as at 31 December 2015 have been recognised at 20% (2014: 20%). There are unused tax losses carried forward as at the balance sheet date of £27,278,988 (2014: £21,695,023) equating to an unrecognised deferred tax asset of £5,455,798 (2014: £4,339,005). No deferred tax asset has been recognised in respect of these losses, as the recoverability of any asset is dependent upon sufficient profits being achieved in future years to utilise this asset. The timings of such profits are uncertain.

### 12. Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of shares in issue during the year. For fully diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of dilutive potential ordinary shares. The Group's potentially dilutive securities consist of share options and performance shares. As the Group is loss-making, none of the potentially dilutive securities are currently dilutive.

| | **2015** **£** | 2014 £ |
|---|---|---|
| Loss after tax | **(7,441,025)** | (9,747,050) |

| | **Number** | Number |
|---|---|---|
| Weighted average number of ordinary shares used in calculating basic loss per share | **215,672,706** | 165,220,742 |
| Weighted average number of ordinary shares used in calculating dilutive loss per share | **215,672,706** | 165,220,742 |
| Basic and diluted loss per share (pence) | **(3.45)** | (5.90) |

### 13. Property, plant and equipment

| | Leasehold improvements £ | Computers and related equipment £ | Office furniture and equipment £ | Total £ |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 October 2013 | 37,899 | 17,393 | 7,363 | 62,655 |
| Acquired through business combination | 30,953 | 11,976 | 4,850 | 47,779 |
| Additions | 45,393 | 37,264 | 24,583 | 107,240 |
| Disposals | (42,852) | – | – | (42,852) |
| At 31 December 2014 | 71,393 | 66,633 | 36,796 | 174,822 |
| Acquired through business combination | 49,711 | 16,268 | 15,026 | 81,005 |
| Additions | – | 54,176 | 13,879 | 68,055 |
| Disposals | (34,614) | (13,392) | (4,850) | (52,856) |
| FX movement | (161) | (52) | (49) | (262) |
| **At 31 December 2015** | **86,329** | **123,633** | **60,802** | **270,764** |
| **Accumulated deprecation** | | | | |
| At 1 October 2013 | 746 | 1,865 | 404 | 3,015 |
| Depreciation charge | 18,780 | 17,759 | 4,713 | 41,252 |
| Disposals | (12,609) | – | – | (12,609) |
| At 31 December 2014 | 6,917 | 19,624 | 5,117 | 31,658 |
| Depreciation charge | 16,957 | 32,737 | 10,167 | 59,861 |
| Disposals | (7,417) | (1,865) | (1,202) | (10,484) |
| FX movement | 39 | 26 | 12 | 77 |
| **At 31 December 2015** | **16,496** | **50,522** | **14,094** | **81,112** |
| **Net book value** | | | | |
| At 31 December 2014 | 64,476 | 47,009 | 31,679 | 143,164 |
| **At 31 December 2015** | **69,833** | **73,111** | **46,708** | **189,652** |

## 14. Intangible assets

| | Goodwill £ | Customer database £ | Software £ | Development costs £ | Domain names £ | Intellectual property £ | Total £ |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 October 2013 | 4,810,187 | 387,512 | 361,684 | 525,961 | – | – | 6,085,344 |
| Acquired through business combination (note 26) | 8,733,718 | 2,802,041 | – | – | – | – | 11,535,759 |
| Additions | – | – | – | 556,850 | 26,514 | – | 583,364 |
| At 31 December 2014 | 13,543,905 | 3,189,553 | 361,684 | 1,082,811 | 26,514 | – | 18,204,467 |
| Acquired through business combination (note 25) | 4,300,671 | 1,289,563 | 1,039,236 | – | 320,832 | 5,076,493 | 12,026,795 |
| Additions | – | – | – | 1,805,913 | – | – | 1,805,913 |
| Disposals | – | – | (361,684) | – | – | – | (361,684) |
| FX movement | 247,540 | 64,532 | 52,005 | – | 16,055 | 277,886 | 658,018 |
| **At 31 December 2015** | **18,092,116** | **4,543,648** | **1,091,241** | **2,888,724** | **363,401** | **5,354,379** | **32,333,509** |
| **Amortisation** | | | | | | | |
| At 1 October 2013 | – | 53,662 | 71,900 | 44,124 | – | – | 169,686 |
| Amortisation charge | – | 804,324 | 150,934 | 321,671 | 428 | – | 1,277,357 |
| At 31 December 2014 | – | 857,986 | 222,834 | 365,795 | 428 | – | 1,447,043 |
| Amortisation charge | – | 1,202,670 | 172,321 | 554,061 | 46,325 | 255,563 | 2,230,940 |
| Disposals | – | – | (255,641) | – | – | – | (255,641) |
| FX movement | – | (4,711) | (3,797) | – | (1,172) | (6,954) | (16,634) |
| **At 31 December 2015** | **–** | **2,055,945** | **135,717** | **919,856** | **45,581** | **248,609** | **3,405,708** |
| **Net book value** | | | | | | | |
| At 31 December 2014 | 13,543,905 | 2,331,567 | 138,850 | 717,016 | 26,086 | – | 16,757,424 |
| **At 31 December 2015** | **18,092,116** | **2,487,703** | **955,524** | **1,968,868** | **317,820** | **5,105,770** | **28,927,801** |

### Goodwill

During the year, the Group acquired various gaming assets and Backstage Technologies Inc from RealNetworks, Inc. (see note 25) resulting in addition to goodwill of £4,300,671. A summary of the acquisitions and the goodwill acquired are listed below:

| Acquisitions | £ |
|---|---|
| Blastworks Limited | 3,466,069 |
| AlchemyBet Limited | 1,344,118 |
| QuickThink Media Limited | 1,904,028 |
| Blueburra Holdings Limited | 6,829,690 |
| Slingo assets and Backstage Technologies Inc. | 4,548,211 |
| **Total goodwill** | **18,092,116** |

In accordance with IAS 36, the Group regularly monitors the carrying value of its intangible assets. A detailed review was undertaken at 31 December 2015 to assess whether the carrying value of assets was supported by net present value of future cash flows derived from those assets. The Group has three CGUs for which the carrying amount of goodwill is allocated. The recoverable amounts to which the goodwill is allocated has been determined using a value in use calculation. The calculation of value in use is based on several assumptions which feed into a forecast model based on past player lifetime values and experience.

Cash flow projections have been prepared for a five-year period following which a long-term growth rate of 2% has been assumed. A discount rate of 25% has been used in discounting the projected cash flows, which is based on the Group's specific risk adjusted weighted average cost of capital.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2015

### 14. Intangible assets continued

The key assumptions of the forecasts were as follows:

› number of new player depositing registrations;
› rate of retention of existing players;
› spending patterns of players; and
› CPA or installs from different acquisition sources.

The above assumptions are based on the trends noted to date, industry standard measurements and management's experience. The Directors do not believe any reasonably possible change in the key assumptions would lead to an impairment of the carrying amount of the CGUs. The carrying amount of goodwill is allocated to the CGUs as follows:

| | **2015 £** | 2014 £ |
|---|---|---|
| Real money gambling and marketing services | **13,543,905** | 13,543,905 |
| Social gaming and licensing | **4,548,211** | – |
| | **18,092,116** | 13,543,905 |

### 15. Other assets

| | **2015 £** | 2014 £ |
|---|---|---|
| Other assets | **152,000** | 158,500 |

Other assets represents the rental deposit on operating leases and deposits held with third-party suppliers.

### 16. Cash and cash equivalents

| | **2015 £** | 2014 £ |
|---|---|---|
| Cash and cash equivalents | **2,516,820** | 3,994,326 |
| Restricted cash | **19,568** | 19,568 |
| | **2,536,388** | 4,013,894 |

Restricted cash of £19,568 (2014: £19,568) relates to funds held in Swiss subsidiaries which are currently in liquidation. The funds are restricted and are not included in the consolidated statement of cash flows.

### 17. Trade and other receivables

| | **2015 £** | 2014 £ |
|---|---|---|
| Trade and other receivables | **2,473,844** | 1,183,859 |
| Allowance for doubtful debts | **(8,938)** | (9,548) |
| | **2,464,906** | 1,174,311 |
| Prepayments and accrued income | **1,553,178** | 1,050,430 |
| | **4,018,084** | 2,224,741 |

All amounts shown fall due for payment within one year.

### 18. Trade and other payables

| | **2015 £** | 2014 £ |
|---|---|---|
| Trade and other payables | **2,105,335** | 1,277,163 |
| Accruals | **1,883,805** | 1,077,171 |
| Player liabilities | **338,825** | 395,802 |
| | **4,327,965** | 2,750,136 |

The carrying value of trade and other payables is classified as financial liabilities measured at amortised cost approximates fair value.

## 19. Loans and borrowings

| | 2015 £ | 2014 £ |
|---|---|---|
| **Current liabilities** | | |
| Loans and borrowings | **–** | 14,504 |
| **Non-current liabilities** | | |
| Loans and borrowings | **–** | – |

## 20. Financial instruments and risk management – Group

The Group is exposed through its operations to risks that arise from use of its financial instruments. The Group does not make any use of derivative-based financial instruments. The Group's financial assets and liabilities are shown on the face of the consolidated statement of financial position and in the table below and they can be classified wholly as either loans and receivables, other assets or other liabilities. The Group has operated with a positive cash balance throughout the year.

| | 2015 £ | 2014 £ |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | **2,536,388** | 4,013,894 |
| Trade and other receivables | **2,464,906** | 1,174,311 |
| Other assets | **152,000** | 158,500 |
| **Financial liabilities** | | |
| Trade and other payables | **2,105,335** | 1,277,163 |
| Accruals | **1,883,805** | 1,077,171 |
| Player liabilities | **338,825** | 395,802 |
| Loans and borrowings | **–** | 14,504 |
| Deferred and contingent consideration | **7,465,499** | 4,887,648 |

Financial assets of the Group are classified as loans and receivables and all financial liabilities are held at amortised cost except contingent consideration which is recognised at fair value through profit and loss. In the Directors' opinion, there is no material difference between the book value and the fair value of any of the financial instruments.

The Group has some exposure to credit risk and liquidity risk. There has been no material change to the financial instruments used within the business during the year except for contingent consideration and therefore no material changes to the risk management policies put in place by the Board which are now discussed below.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. Whilst acknowledging this responsibility, it has delegated the authority and day-to-day responsibility for designing and operating systems and controls which meet these risk management objectives to the finance and administration function. The Board regularly reviews the effectiveness of these processes in meeting its objectives and considers any necessary changes in response to changes within the business or the environment in which it operates.

### Currency risk

The Group is exposed to currency risk on translation and on sales and purchases that are denominated in a currency other than pounds sterling (GBP). The currency in which these transactions are primarily denominated is US dollars (USD).

The Group's policy is, where possible to allow Group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where Group entities have liabilities denominated in a currency other than their functional currency cash already denominated in that currency will, where possible, be transferred from elsewhere in the Group.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2015

### 20. Financial instruments and risk management – Group continued

As of 31 December 2015, the Group's net exposure to foreign exchange risk was as follows:

| Net foreign currency financial assets/(liabilities) | **Sterling 2015 £** | Sterling 2014 £ | **US dollar 2015 £** | US dollar 2014 £ | **Other 2015 £** | Other 2014 £ |
|---|---|---|---|---|---|---|
| Sterling | **–** | – | **–** | – | **–** | – |
| US dollar | **(4,225,242)** | (2,062) | **–** | – | **20,054** | – |
| Other | **2,456** | (251) | **–** | – | **–** | – |
| **Total** | **(4,222,786)** | (2,313) | **–** | – | **20,054** | – |

The effect of a 20% strengthening of the US dollar against sterling at the reporting date on the US dollar denominated payables carried at that date would, all other variables held constant, have resulted in an increase in losses after date and decrease of net assets of £844,557 (2014: £463). A 20% weakening in the exchange rate would, on same basis decrease loss after tax and increase net assets by £844,557 (2014: £463).

**Liquidity risk**

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. Customer funds are kept in dedicated client accounts, separately from the Group's operational bank accounts.

The following table sets out the contractual maturities of financial liabilities:

| **At 31 December 2015** | **Within 1 year £** | **1–2 years £** | **Over 2 years £** |
|---|---|---|---|
| Trade and other payables | **2,105,335** | **–** | **–** |
| Accruals | **1,883,805** | **–** | **–** |
| Player liabilities | **338,825** | **–** | **–** |
| Deferred and contingent consideration | **4,990,966** | **2,474,533** | **–** |
| **Total** | **9,318,931** | **2,474,533** | **–** |

| At 31 December 2014 | Within 1 year £ | 1–2 years £ | Over 2 years £ |
|---|---|---|---|
| Trade and other payables | 1,277,163 | – | – |
| Accruals | 1,077,171 | – | – |
| Player liabilities | 395,802 | – | – |
| Loans and borrowings | 14,504 | – | – |
| Deferred and contingent consideration | 2,500,000 | 1,444,364 | 943,284 |
| Total | 5,264,640 | 1,444,364 | 943,284 |

At 31 December 2015, the analysis of trade and other receivables that were past due but no impaired is as follows:

| | Current £ | Between 30 and 60 days £ | Between 61 and 90 days £ | Over 91 days £ |
|---|---|---|---|---|
| Trade and other receivables | 1,829,369 | 557,693 | 52,420 | 34,362 |
| Allowance for doubtful debts | – | – | – | (8,938) |
| **At 31 December 2015** | **1,829,369** | **557,693** | **52,420** | **25,424** |
| Trade and other receivables | 750,156 | 268,930 | 101,801 | 62,972 |
| Allowance for doubtful debts | – | – | – | (9,548) |
| At 31 December 2014 | 750,156 | 268,930 | 101,801 | 53,424 |

## 20. Financial instruments and risk management – Group continued

**Financial liabilities measured at fair value**

The fair value hierarchy of financial liabilities measured at fair value is provided.

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Level 1 £** | **Level 2 £** | **Level 3 £** | Level 1 £ | Level 2 £ | Level 3 £ |
| Contingent consideration | **–** | **–** | **2,400,000** | – | – | 4,887,648 |

The fair value measurement hierarchy is based on the inputs to valuation techniques used to measure fair value. The inputs are categorised into three levels, with the highest level (level 1) given to inputs for which there are unadjusted quoted prices in active markets for identical assets or liabilities and the lowest level (level 3) given to unobservable inputs. Level 2 inputs are directly or indirectly observable inputs other than quoted prices. Contingent consideration is recognised as management's best estimate of the amounts ultimately to be settled, based on probability settlement. Since year end the liability was settled at £2,400,000.

**Capital management**

The Group is funded entirely through shareholders' funds.

If financing is required, 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.

## 21. Share capital

**Ordinary shares**

| | **2015 Number** | **2015 £** | 2014 Number | 2014 £ |
|---|---|---|---|---|
| Ordinary shares of 10 pence each | **249,208,292** | **24,920,829** | 195,170,489 | 19,517,049 |

On 11 August 2015, 47,415,000 shares were issued at £0.25 per share and 2,485,578 shares were issued at £0.26 per share with costs of £501,534 associated with the share issue.

On 9 October 2015, 4,137,225 shares were issued to the previous shareholders of Blueburra Holdings Limited as part of their contingent consideration.

**Movements in share capital**

| | Number | £ |
|---|---|---|
| At 1 October 2013 | 146,333,690 | 14,633,369 |
| Ordinary shares issued for cash consideration | 41,261,041 | 4,126,104 |
| Ordinary shares issued in the acquisition of Blueburra Holdings Limited | 7,575,758 | 757,576 |
| At 31 December 2014 | 195,170,489 | 19,517,049 |
| Ordinary shares issued for cash consideration | 49,900,578 | 4,990,058 |
| Ordinary shares issued in settling the Blueburra Holdings Limited contingent consideration | 4,137,225 | 413,722 |
| **At 31 December 2015** | **249,208,292** | **24,920,829** |

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2015

## 22. Reserves

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

| Reserve | Description and purpose |
|---|---|
| *Share premium* | Amount subscribed for share capital in excess of nominal value. |
| *Merger reserve* | Adjustments arising on the reverse transaction and the excess of the fair value over nominal value for shares issued in business combinations qualifying for merger relief under the Companies Act 2006. |
| *Retained earnings* | All other net gains and losses, and transactions with owners not recognised elsewhere. |
| *Foreign exchange reserve* | Gains/losses arising on retranslating the net assets of overseas operations into sterling. |

## 23. Leases

The Group has future lease payments under non-controllable operating leases on land and buildings and other leases. The total future value of minimum lease payments is due as follows:

| | **2015** **£** | 2014 £ |
|---|---|---|
| Not later than one year | **227,125** | 118,476 |
| Later than one year and not later than five years | **285,959** | 407,803 |
| Later than five years | **–** | – |
| | **513,084** | 526,279 |

## 24. Share-based payment

**Gaming Realms 2013 EMI Plan**

On 1 August 2013, the Company adopted the Gaming Realms 2013 EMI Plan to allow, at the discretion of the Board, any eligible employee to be granted EMI or non-EMI qualified options at an exercise price to be determined by the Board but not to be less than the nominal value of a share and will vest subject to such time based and share price performance based conditions as the Board may determine.

Options to acquire ordinary shares under the EMI plan may be granted up to a maximum of £3,000,000 (based on the market value of the shares placed under option at the date of the grant).

No consideration is payable for the grant to of the option and the options are not transferable or assignable. Cash consideration is paid to the Company by the employee at the point that the share options are exercised.

In 2013, the Company granted options for B shares under the Gaming Realms 2013 EMI Plan. B share value will be 20 pence less than the prevailing price of the ordinary shares and will therefore have no value unless the value of the new ordinary shares exceeds 20 pence. EMI options can only be granted to employees who meet the statutory working time requirement, and cannot normally be exercised before 15 July 2015. All options granted under the New Share Option Scheme on Admission will be exercisable over B shares at their nominal value of £0.01 and will be capable of exercise, subject to certain exceptions, after two years of the date of grant.

Options are not exercisable later than midnight on the day before the tenth anniversary of the date of grant.

Options were fair valued using the Black-Scholes option pricing model, or where there are market-based performance conditions, a Monte Carlo simulation pricing model.

Expected volatility was determined by calculating the historical volatility of the Company's competitors in the sector.

## 24. Share-based payment continued

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled share-based remuneration schemes operated by the Group.

| | 2015 | 2015 | 2014 |
|---|---|---|---|
| Option scheme | **EMI option** | **Unapproved options** | EMI option |
| *Equity-settled* | | | |
| Option pricing model used | **Black-Scholes** | **Black-Scholes** | Black-Scholes |
| Weighted average share price at grant date (in pence) | **25** | **25** | 21–31 |
| Exercise price (in pence) | **25–33** | **24.75** | 23–29 |
| Expected life (years) | **6.5** | **6.5** | 2–7 |
| Risk free rate | **0.32–0.55%** | **0.50%** | 0.55% |
| Expected dividend yield | **–** | **–** | – |

IFRS 2 (Share-based payment) requires that the fair value of such equity-settled transactions is calculated and systematically charged to the statement of comprehensive income over the vesting period. The total fair value that was charged to the income statement in relation to the equity-settled share-based payments charge was £673,730 (2014: £438,169).

| | Number | Weighted average exercise price (pence) |
|---|---|---|
| Outstanding at 1 October 2013 | 27,692,297 | 0.73 |
| Granted during the period | 7,564,128 | 23.00 |
| Forfeited during the period | (173,913) | 23.00 |
| Outstanding at 1 January 2015 | 35,082,512 | 5.42 |
| Granted during the year | 14,353,698 | 23.80 |
| Forfeited during the year | (621,819) | 23.00 |
| **Number of options outstanding at 31 December 2015** | **48,814,391** | **5.42** |
| **Exercisable at 31 December 2015** | **13,846,148** | **0.01** |

Options to subscribe under various schemes, including those noted in Directors' interests in note 7, are shown in the table below:

| | Date granted | Exercise price (pence) | Exercisable between | **2015 Number of shares** | 2014 Number of shares |
|---|---|---|---|---|---|
| Approved | 1 August 2013 | 0.01 | 31 July 2015 to 31 July 2023 | **26,153,837** | 26,153,837 |
| Unapproved | 1 August 2013 | 13.00 | 31 July 2015 to 31 July 2023 | **1,538,460** | 1,538,460 |
| Approved | 2 April 2014 | 23.00 | 1 April 2017 to 1 April 2024 | **5,455,418** | 6,042,389 |
| Unapproved | 17 June 2014 | 23.00 | 16 June 2016 to 16 June 2024 | **750,000** | 750,000 |
| Approved | 17 June 2014 | 28.88 | 16 June 2017 to 16 June 2024 | **597,826** | 597,826 |
| Approved | 19 February 2015 | 33.00 | 18 February 2018 to 18 February 2025 | **1,121,970** | – |
| Approved | 15 October 2015 | 25.13 | 14 October 2018 to 14 October 2025 | **10,250,000** | – |
| Approved | 10 November 2015 | 25.00 | 11 November 2018 to 11 November 2025 | **2,946,880** | – |
| | | | | **48,814,391** | 35,082,512 |

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2015

## 25. Business combinations during the year

**Acquisition of Gaming Assets and Backstage Technologies Inc. (rebranded as Blastworks)**

On 10 August 2015, the Group acquired the following assets from RealNetworks, Inc.: GameHouse US and Canadian Game studios; social and mobile freemium portfolio games, and publishing network; Slingo brand and patents; certain game domains including Sudoku.com and Mahjong.com; an IP licence relating to the GameHouse Promotion Network and the entire issued share capital of Backstage Technologies Inc. The acquisition is in line with the Group's strategy to build an international portfolio of engaging casual gaming brands. The Slingo assets provide the Group with entry into the fast growing social casino gaming segment of online gaming, whilst the experienced management team and game studio will allow the Group to further grow its ability to develop, distribute, and market casual and real-money brands. Acquisition costs of £318,853 arose as a result of the transaction. These have been recognised as part of administrative expenses in the statement of profit and loss. Details of the provisional fair value of identifiable assets and liabilities acquired and purchase consideration and goodwill are as follows:

| | Book value £ | Adjustment £ | Fair value £ |
|---|---|---|---|
| Non-contractual customer lists and relationships | – | 1,289,563 | 1,289,563 |
| Software | – | 1,039,236 | 1,039,236 |
| Domain names | – | 320,832 | 320,832 |
| IP | – | 5,076,493 | 5,076,493 |
| Property, plant and equipment | 162,927 | (81,922) | 81,005 |
| Trade and other receivables | 490,736 | 125,373 | 616,109 |
| Cash | 202,506 | – | 202,506 |
| Trade and other payables | (118,743) | – | (118,743) |
| Deferred tax asset/(liability) | 25,778 | (1,273,212) | (1,247,434) |
| **Total net assets** | **763,204** | **6,496,363** | **7,259,567** |

| **Fair value of consideration paid** | £ |
|---|---|
| Cash consideration | 6,854,556 |
| Deferred consideration | 4,705,682 |
| **Total consideration** | **11,560,238** |
| **Goodwill arising on acquisition (note 14)** | **4,300,671** |

| | |
|---|---|
| Deferred consideration at acquisition date | 4,705,682 |
| Unwinding of discount on deferred consideration (note 10) | 86,683 |
| FX movement (note 10) | 273,134 |
| **Deferred consideration at 31 December 2015** | **5,065,499** |

The total consideration for the acquisition is £11,987,862 ($18,682,482), of which £6,854,556 ($10,682,482) was settled in cash. The Group has recognised £4,705,682 ($7,333,571) being the net present value of the deferred consideration of £5,133,306 ($8,000,000) at acquisition date. The deferred consideration is payable in two parts, $4,000,000 12 months following the acquisition date and a further $4,000,000 24 months following the acquisition date.

Goodwill recognised in the acquisition of Gaming Assets and Backstage Technologies Inc. from RealNetworks, Inc. represents the estimated future economic benefits arising from other assets acquired that could not be individually identified and separately recognised. Goodwill includes an experienced workforce, future synergies and material cost savings. The net cash acquired was an outflow of £6,652,050. The revenue and profit or loss of the acquired assets for the period 1 January 2015 to 9 August 2015 is unavailable and therefore have not been disclosed. Revenue since acquisition totals £2,537,158 and loss since acquisition totals £1,754,604.

## 26. Business combinations completed in prior periods

### Acquisition of QuickThink Media Limited

On 10 December 2013, the Group acquired QuickThink Media Limited, a company in which there are common shareholders and key management personnel, for an estimated total consideration of £2,274,421, comprising of £1,470,850 cash and a deferred payment of 3,571,428 ordinary shares being the equivalent of £803,571 at the time of acquisition to be allotted and admitted to trading 12 months from completion. The deferred payment has been recorded as shares to be issued at the time of acquisition. Acquisition costs of £37,500 arose as a result of the transaction. These have been recognised as part of administrative expenses in the statement of profit and loss. QuickThink Media Limited is a specialist online gaming marketing agency which will enhance the Group's activities by cost-effectively capturing new users across emerging digital channels such as Facebook. Details of the fair value of identifiable assets and liabilities acquired and purchase consideration and goodwill are as follows:

| | Book value £ | Adjustment £ | Fair value £ |
|---|---|---|---|
| Non-contractual customer lists and relationships | – | 458,409 | 458,409 |
| Trade and other receivables | 589,718 | – | 589,718 |
| Cash | 28,485 | – | 28,485 |
| Trade and other payables | (620,500) | – | (620,500) |
| Deferred tax liability | – | (85,719) | (85,719) |
| **Total net assets** | **(2,297)** | **372,690** | **370,393** |

| **Fair value of consideration paid** | £ |
|---|---|
| Cash consideration | 1,470,850 |
| Deferred consideration – Gaming Realms plc ordinary shares | 803,571 |
| **Total consideration** | **2,274,421** |
| **Goodwill (note 14)** | **1,904,028** |

Goodwill recognised in the acquisition of QuickThink Media Limited relates to the presence of certain intangible assets such as an experienced workforce, which do not qualify for separate recognition. The net cash acquired was an outflow of £1,442,365. Prior to acquisition for the period 1 October 2013 to 10 December 2013, the revenue generated was £833,115 and loss after tax was £632. Since acquisition, QuickThink Media Limited generated £6,751,974 in revenue and loss after tax of £793,866.

On 2 December 2014, the original shareholders of QuickThink Media Limited agreed to accept £825,000 cash in lieu of the 3,571,428 ordinary shares as payment of the deferred consideration. The difference between the fair value of shares to be issued and cash consideration of £21,429 was charged to the profit and loss reserve. The deferred consideration was paid on the 10 December 2014.

### Acquisition of Blueburra Holdings Limited

On 5 September 2014, the Group acquired 100% of the voting equity of Blueburra Holdings Limited. Digital Blue Limited, a wholly owned subsidiary of Blueburra Holdings Limited, is an eGaming marketing specialist. The acquisition is expected to expedite the Group's marketing strategy in the UK by adding further reach and capability to its current affiliate marketing subsidiary, QuickThink Media and adding an enlarged database of players for cross promotion, as well as further white label brands, which will allow for greater Group cross marketing and consequently, monetisation. Acquisition costs of £103,273 arose as a result of the transaction. These have been recognised as part of administrative expenses in the statement of profit and loss. Details of the fair value of identifiable assets and liabilities acquired, and purchase consideration and goodwill are as follows:

| | Book value £ | Adjustment £ | Fair value £ |
|---|---|---|---|
| Non-contractual customer lists and relationships | – | 2,343,632 | 2,343,632 |
| Property, plant and equipment | 47,779 | – | 47,779 |
| Trade and other receivables | 330,022 | – | 330,022 |
| Other assets | 1,500 | – | 1,500 |
| Cash | 652,054 | – | 652,054 |
| Trade and other payables | (364,349) | – | (364,349) |
| **Total net assets** | **667,006** | **2,343,632** | **3,010,638** |

# Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2015

### 26. Business combinations completed in prior periods continued

**Fair value of consideration paid**

| | £ |
|---|---|
| Cash consideration | 2,500,000 |
| Share consideration | 2,500,000 |
| Contingent consideration | 4,840,328 |
| **Total consideration** | **9,840,328** |
| **Goodwill arising on acquisition (note 14)** | **6,829,690** |
| | |
| Contingent consideration at acquisition date | 4,840,328 |
| Unwinding of discount on contingent consideration (note 10) | 47,320 |
| **Contingent consideration at 31 December 2014** | **4,887,648** |

Consideration of £2,500,000 and 7,575,758 shares with a total value of £2,500,000 were settled on 5 September 2014. The Group has agreed to pay additional consideration of up to £2,750,000 in cash and £2,750,000 in shares dependent on the achievement of set performance targets in the periods ending 31 December 2014, 31 December 2015 and 31 December 2016. The consideration will be settled in cash and ordinary shares of Gaming Realms plc on their payment dates on achieving the relevant targets. The Group has recognised £4,840,328 being the present value of contingent consideration having made a probability based assessment of the amount payable related to the additional consideration, which represents the fair value at acquisition date. Contingent consideration has been calculated based on the Group's expectation of what it will pay in relation to earn out agreement. The earn out targets are based on the EBITDA multiple of the annual results of the acquired business. The fair value of the contingent consideration is calculated by weighting the probability of achieving these targets to give an estimate of the final obligation.

Goodwill recognised in the acquisition of Blueburra Holdings Limited relates to the presence of certain intangible assets, such as experienced workforce and material cost savings, which do not qualify for separate recognition. The net cash acquired was an outflow of £1,847,946. Prior to acquisition for the period 1 October 2013 to 5 September 2014, the revenues generated was £3,797,695 and the consolidated profit after tax was £1,580,400. Since acquisition, Blueburra Holdings Limited generated £1,017,421 in revenue and profit after tax of £369,187.

### 27. Related party transactions

Atul Bali was a non-executive Director of the Company and President of the Games division at RealNetworks, Inc. During the period between May and August 2015, the Group paid £54,733 in licensing fees to RealNetworks, Inc. On 10 August 2015, the Group acquired various gaming assets from RealNetworks, Inc. in which there were common key management personnel for cash consideration of £11,987,862 ($18,862,482). Details of the acquisition are included in note 25. As part of the acquisition, Atul Bali was appointed to the executive team of the Group and tasked to manage the transferred assets. Between the acquisition date and Atul's resignation from RealNetworks, Inc. on 30 September 2015, the Group paid USD 767,666 for transitional services and CAD 7,700 in rent for the office in Vancouver Island.

During the year, £200,000 (2014: £130,000) of consulting fees were paid to Dawnglen Finance Limited, a company controlled by Michael Buckley.

Simon Smiley is a Director of Tamacre Limited, a direct mailing and content provider. During the year Tamacre Limited provided marketing services to various members of the Group to a value of £208,581 (2014: £130,469).

During the year, the Group entered a licensing agreement with Pala Interactive to deliver the new bingo game to PalaBingoUSA.com. No transactions were made during the year. Jim Ryan is a non-executive Director of the Company and the CEO of Pala Interactive.

In the prior period, the Group received accounting services from M2Ventures, a company in which there are common shareholders. The amounts paid in the prior period in was £2,133. There were no transactions in the year. No balance (2014: £nil) was outstanding at the end of the year.

The amount owed to Directors was £5,000 (2014: £nil). No amounts were owed from Directors.

The details of key management compensation are set out in note 6.

## 28. Subsidiaries

The subsidiaries of the Company, all of which have been included in these consolidated financial statements, are as follows:

| Name | Country of incorporation | Principal activity | Proportion held by Parent Company | Proportion held by Group |
|---|---|---|---|---|
| Bingo Realms Limited | UK | Marketing services | 100% | 100% |
| Blastworks Limited (previously Bejig Limited) | UK | IP owner | 90.66% | 100% |
| AlchemyBet Limited | UK | Software developer | 88.85% | 100% |
| QuickThink Media Limited | UK | Marketing services | 100% | 100% |
| Bear Group Limited | Alderney | Real money gambling operator | 100% | 100% |
| Blueburra Holdings Limited | Isle of Man | Marketing services | 100% | 100% |
| Digital Blue Limited | Isle of Man | Marketing services | 0% | 100% |
| Blastworks Inc. | USA | Social gaming operator | 100% | 100% |
| Backstage Technologies Inc. | Canada | Software developer | 100% | 100% |

The Group held 100% interest in the following subsidiaries which were in the process of being liquidated at the balance sheet date:

| Name | Country of incorporation | Principal activity | Proportion held by Parent Company | Proportion held by Group |
|---|---|---|---|---|
| PDX Businessgroup AG | Switzerland | In liquidation | 100% | 100% |
| PDX Technologies AG | Switzerland | In liquidation | 0% | 100% |
| PDX Management AG | Switzerland | In liquidation | 0% | 100% |
| PDX Public Health and Safety AG | Switzerland | In liquidation | 0% | 100% |
| BFX Solutions AG | Switzerland | In liquidation | 0% | 100% |
| DDX Solutions AG | Switzerland | In liquidation | 0% | 100% |

## 29. Events after the reporting date

On 2 March 2016, the Company raised £1,525,000 by issuing 7,625,000 shares at £0.20 per share.

On 4 March 2016, the Group disposed of the third-party platform driven website properties, for a total consideration of £2.4m to Silverspin Media Limited and Black Spark Media Limited. Black Spark Media paid the Group an up-front cash payment of £1.2m. The remaining £1.2m of the total consideration, payable by Silverspin Media, was settled by way of waiving the final earn out payments to the previous shareholders of Blueburra Holdings Limited. This is due as part of the three-year earn out and is being settled at a reduced rate by the Group. Chris Phillips and Scott Logan, shareholders of Silverspin Media, and also Directors of the Company's subsidiaries Blueburra Holdings Limited and Digital Blue Limited and are therefore classified as related parties.

# Parent Company Statement of Financial Position

## As at 31 December 2015

| | Note | 31 December 2015 £ | 31 December 2014 as restated (note 10) £ |
|---|---|---|---|
| **Fixed assets** | | | |
| Investment in subsidiary undertakings | 2 | **23,012,004** | 21,407,847 |
| Tangible assets | | **58,440** | 61,039 |
| **Total fixed assets** | | **23,070,444** | 21,468,886 |
| **Current assets** | | | |
| Cash and cash equivalents | | **117,164** | 2,741,284 |
| Debtors: amounts falling due within one year | 3 | **23,967,669** | 8,320,269 |
| Debtors: amounts falling due after more than one year | | **120,000** | 120,000 |
| **Total current assets** | | **24,204,833** | 11,181,553 |
| Creditors: amounts falling due within one year | 4 | **6,511,705** | 2,741,483 |
| **Net current assets** | | **17,693,128** | 8,440,070 |
| **Total assets less current liabilities** | | **40,763,572** | 29,908,956 |
| Creditors: amounts falling due after more than one year | 4 | **2,474,533** | 2,363,990 |
| **Net assets** | | **38,289,039** | 27,544,966 |
| **Equity** | | | |
| Share capital | 5 | **24,920,829** | 19,517,049 |
| Share premium | | **85,127,955** | 78,119,547 |
| Merger reserve | | **2,683,702** | 1,742,424 |
| Retained earnings | | **(74,443,447)** | (71,834,054) |
| **Total equity** | | **38,289,039** | 27,544,966 |

The financial statements on pages 48 to 52 were approved and authorised for issue by the Board of Directors on 3 May 2016 and were signed on its behalf by:

**Patrick Southon**
Chief Executive Officer

# Parent Company Statement of Changes in Equity

## For the year ended 31 December 2015

| | Share capital £ | Share premium £ | Shares to be issued £ | Merger reserve £ | Retained earnings as restated (note 10) £ | Total equity as restated (note 10) £ |
|---|---|---|---|---|---|---|
| 1 October 2013 | 14,633,369 | 70,437,354 | – | – | (69,900,242) | 15,170,481 |
| Loss for the period | – | – | – | – | (2,350,552) | (2,350,552) |
| Shares issued as part of the consideration in a business combination | 757,576 | – | – | 1,742,424 | – | 2,500,000 |
| Shares issued as part of the capital raising | 4,126,104 | 7,812,895 | – | – | – | 11,938,999 |
| Cost of issue of ordinary share capital | – | (130,702) | – | – | – | (130,702) |
| Shares to be issued | – | – | 803,571 | – | – | 803,571 |
| Settlement of shares to be issued | – | – | (803,571) | – | (21,429) | (825,000) |
| Share-based payment on share options | – | – | – | – | 438,169 | 438,169 |
| 31 December 2014 (as restated) | 19,517,049 | 78,119,547 | – | 1,742,424 | (71,834,054) | 27,544,966 |
| Loss for the year | – | – | – | – | (3,283,123) | (3,283,123) |
| Shares issued as part of the consideration in a business combination | 413,722 | – | – | 941,278 | – | 1,355,000 |
| Shares issued as part of the capital raising | 4,990,058 | 7,509,942 | – | – | – | 12,500,000 |
| Cost of issue of ordinary share capital | – | (501,534) | – | – | – | (501,534) |
| Share-based payment on share options | – | – | – | – | 673,730 | 673,730 |
| **31 December 2015** | **24,920,829** | **85,127,955** | **–** | **2,683,702** | **(74,443,447)** | **38,289,039** |

The notes on pages 48 to 52 form part of these financial statements.

# Notes to the Parent Company Financial Statements

## For the year ended 31 December 2015

### 1. Principal accounting policies

These financial statements present the results of Gaming Realms plc for the year ended 31 December 2015 (2014: 1 October 2013 to 31 December 2014).

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

The financial statements are prepared under the historical cost convention. No profit and loss account is presented by the Company as permitted by section 408 of the Companies Act 2006.

The financial statements are prepared in sterling.

**Basis of preparation**

The Company has transitioned to FRS 101 from previously extant UK Generally Accepted Accounting Practice for all periods presented. Transition tables showing all material adjustments are disclosed in note 10. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2015.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) IFRS 2 Share-based Payment disclosure, the share-based payment arrangement concerns its own equity instruments and its separate financial statements are presented alongside the consolidated financial statements of the Group.
(b) IFRS 7 Financial Instruments disclosures, given that equivalent disclosures are included in the consolidated financial statements of the Group in which the entity is consolidated.
(c) IFRS 13 Fair Value Measurement disclosures.
(d) Certain disclosures required by IAS 1 Presentation of Financial Statements, including certain comparative information in respect of share capital movements.
(e) IAS 7 Statement of Cash Flows and related notes.
(f) IAS 24 Related Party Disclosures relating to key management personnel compensation.
(g) IAS 24 Disclosure of related party transactions entered into between two or more members of a group, given that any subsidiary which is a party to the transaction is wholly owned by such a member.

**Investments**

Investments in subsidiaries are stated at cost less provision for impairment in value, except for investments acquired before 1 October 2013 where shares issued to effect business combinations and the conditions of the Companies Act 2006 are met, merger relief was applied and the resulting investment is recorded at the nominal value of the shares issued.

**Taxation**

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

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

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

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

**Foreign currencies**

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

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

## 1. Principal accounting policies continued

**Financial liabilities**

Financial liabilities held by the Group consist of deferred and contingent consideration, customer funds, trade payables and other short-term monetary liabilities.

Financial liabilities are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument and with the exception of deferred and contingent consideration, subsequently recognised at amortised cost. Contingent consideration arising from business combinations that is classified as liability is subsequently measured at fair value through profit and loss. Deferred consideration arising from business combinations is recognised at present value and unwound over the period until settlement.

## 2. Investments

| | £ |
|---|---|
| At 1 October 2013 | 9,293,105 |
| Additions | 8,658,771 |
| At 31 December 2014 as previously stated | 17,951,876 |
| FRS 101 Adjustment | 3,455,971 |
| At 1 January 2015 restated for transition to FRS 101 | 21,407,847 |
| Additions | 1,604,157 |
| **At 31 December 2015** | **23,012,004** |

Additions relate to the acquisition of the gaming assets and Backstage Technologies Inc. from RealNetworks, Inc. Refer to note 25 of the consolidated financial statements for further details on the acquisitions. The gaming assets acquired by the Group was subsequently assigned to Blastworks Limited (previously known as Bejig Limited).

The Company's investments comprise interests in 15 Group undertakings, all of which are included in the consolidated financial statements.

Details of these are shown below:

| Name | Country of incorporation | Principal activity | Proportion held by Parent Company | Proportion held by Group |
|---|---|---|---|---|
| Bingo Realms Limited | UK | Marketing services | 100% | 100% |
| Blastworks Limited (previously Bejig Limited) | UK | IP owner | 90.66% | 100% |
| AlchemyBet Limited | UK | Software developer | 88.85% | 100% |
| QuickThink Media Limited | UK | Marketing services | 100% | 100% |
| Bear Group Limited | Alderney | Real money gaming operator | 100% | 100% |
| Blueburra Holdings Limited | Isle of Man | Marketing services | 100% | 100% |
| Digital Blue Limited | Isle of Man | Marketing services | 0% | 100% |
| Blastworks Inc. | USA | Social gaming operator | 100% | 100% |
| Backstage Technologies Inc. | Canada | Software developer | 100% | 100% |

The Group held 100% interest in the following subsidiaries which were in the process of being liquidated at the balance sheet date:

| Name | Country of incorporation | Principal activity | Proportion held by Parent Company | Proportion held by Group |
|---|---|---|---|---|
| PDX Businessgroup AG | Switzerland | In liquidation | 100% | 100% |
| PDX Technologies AG | Switzerland | In liquidation | 0% | 100% |
| PDX Management AG | Switzerland | In liquidation | 0% | 100% |
| PDX Public Health and Safety AG | Switzerland | In liquidation | 0% | 100% |
| BFX Solutions AG | Switzerland | In liquidation | 0% | 100% |
| DDX Solutions AG | Switzerland | In liquidation | 0% | 100% |

# Notes to the Parent Company Financial Statements continued

For the year ended 31 December 2015

### 3. Debtors

| | 2015 £ | 2014 £ |
|---|---|---|
| Amounts due from Group companies | **23,703,521** | 8,220,097 |
| Other debtors | **180,306** | 34,983 |
| Prepayments and accrued income | **83,842** | 65,189 |
| | **23,967,669** | 8,320,269 |

### 4. Creditors

| | 2015 £ | 2014 £ |
|---|---|---|
| Creditors: amounts falling due within one year | | |
| Amounts due to Group companies | **1,278,671** | – |
| Trade creditors | **90,978** | 76,958 |
| Other creditors | **58,507** | 64,526 |
| Accruals and deferred income | **92,583** | 76,339 |
| Deferred and contingent consideration | **4,990,966** | 2,523,660 |
| | **6,511,705** | 2,741,483 |

| | 2015 £ | 2014 £ |
|---|---|---|
| Creditors: amounts falling due after more than one year | | |
| Deferred and contingent consideration | **2,474,533** | 2,363,990 |
| | **2,474,533** | 2,363,990 |

### 5. Called up share capital

**Allotted, called up and fully paid**

| | 2015 £ | 2014 £ |
|---|---|---|
| 249,208,292 (2014: 195,170,489) ordinary shares of 10 pence each | **24,920,829** | 19,517,049 |

**Allotted and fully paid**

| | £ |
|---|---|
| As at 1 January 2015 | 19,517,049 |
| Issued during the year | 5,403,780 |
| **As at 31 December 2015** | **24,920,829** |

On 11 August 2015, 47,415,000 shares were issued at £0.25 per share and 2,485,578 shares were issued at £0.26 per share with costs of £501,534 associated with the share issue.

On 9 October 2015, 4,137,225 shares were issued to the previous shareholders of Blueburra Holdings Limited as part of their contingent consideration.

### 6. Employee information

The Company had a monthly average of ten (2014: ten) employees during the year.

The employee costs for the Company were £791,967 (2014: £752,200).

Details of Directors' remuneration can be found in note 7 of the consolidated financial statements.

### 7. Parent Company result for the year

As permitted by section 408 of the Companies Act 2006, a separate profit and loss account of the Company is not presented.

The Company's loss for the financial year was £3,283,123 (2014 as restated: £2,350,552).

## 8. Leases

The Company has future lease payments under non-controllable operating leases on land and buildings and other leases. The total future value of minimum lease payments is due as follows:

| | 2015<br>£ | 2014<br>£ |
|---|---|---|
| Not later than one year | **125,000** | 118,476 |
| Later than one year and not later than five years | **285,959** | 407,803 |
| Later than five years | **–** | – |
| | **410,959** | 526,279 |

## 9. Related party transactions

Atul Bali was a non-executive Director of the Company and President of the Games division at RealNetworks, Inc. On 10 August 2015, the Group acquired various gaming assets from RealNetworks, Inc. in which there were common key management personnel for cash consideration of £11,987,862 ($18,862,482). Details of the acquisition are included in note 25 of the consolidated financial statements. As part of the acquisition, Atul Bali was appointed to the executive team of the Company and tasked to manage the transferred assets.

During the year £200,000 (2014: £130,000) of consulting fees were paid to Dawnglen Finance Limited, a company controlled by Michael Buckley.

The amount owed to Directors was £5,000 (2014: £nil). No amounts were owed from Directors.

The details of key management compensation are set out in note 6 of the consolidated accounts.

## 10. Transition to FRS 101

For all periods up to and including the period ended 31 December 2014, the Company prepared its financial statements in accordance with the previously extant United Kingdom generally accepted accounting practice ("UK GAAP"). These financial statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 101. Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning or after 1 October 2013 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from opening balance sheet as at 1 October 2013, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating the balance sheet at 1 October 2013 prepared under extant UK GAAP and is previously published UK GAAP financial statement for the period ended 31 December 2014.

On transition to FRS 101, the Company has applied the requirements IFRS 1 para 6–33 "First time adoption of International Financial Reporting Standards".

There are no transition changes at 1 October 2013 and no changes to the profit and loss for the period ending 31 December 2014.

# Notes to the Parent Company Financial Statements continued

For the year ended 31 December 2015

### 10. Transition to FRS 101 continued

**Reconciliation of equity at 31 December 2014**

| | Note | UK GAAP £ | Adjustments £ | FRS 101 £ |
|---|---|---|---|---|
| **Fixed assets** | | | | |
| Investment in subsidiary undertakings | (a) | 17,951,876 | 3,455,971 | 21,407,847 |
| Tangible assets | | 61,039 | – | 61,039 |
| **Total fixed assets** | | 18,012,915 | 3,455,971 | 21,468,886 |
| **Current assets** | | | | |
| Cash and cash equivalents | | 2,741,284 | – | 2,741,284 |
| Debtors: amounts falling due within one year | | 8,320,269 | – | 8,320,269 |
| Debtors: amounts falling due after more than one year | | 120,000 | – | 120,000 |
| **Total current assets** | | 11,181,553 | – | 11,181,553 |
| Creditors: amounts falling due within one year | | 1,832,787 | 908,696 | 2,741,483 |
| **Net current assets** | | 9,348,766 | (908,696) | 8,440,070 |
| **Total assets less current liabilities** | | 27,361,681 | 2,547,275 | 29,908,956 |
| Creditors: amounts falling due after more than one year | | 1,535,479 | 828,511 | 2,363,990 |
| **Net assets** | | 25,826,202 | 1,718,764 | 27,544,966 |
| **Equity** | | | | |
| Share capital | | 19,517,049 | – | 19,517,049 |
| Share premium | | 78,119,547 | – | 78,119,547 |
| Merger reserve | | – | 1,742,424 | 1,742,424 |
| Retained earnings | (a) | (71,810,394) | (23,660) | (71,834,054) |
| **Total equity** | | 25,826,202 | 1,718,764 | 27,544,966 |

(a) Shares that were issued previously to effect a business combination and where the conditions under the Companies Act 2006 were met, were recorded at the nominal value of the shares issued. Under FRS 101, investment in subsidiaries are restated at cost. The consideration for the acquisition of Blueburra Holdings Limited on 5 September 2014 included 7,575,758 shares issued with a total value of £2,500,000. The nominal value of these shares were £757,576. An adjustment £1,742,424 was posted to recognise the cost of the investment in subsidiary. In addition to the shares issued, 50% of the contingent consideration was to be settled in shares. The nominal value of these shares were £341,654. An adjustment of £1,713,547 was posted to recognise the cost of the investment in subsidiary.

# Company Information

**Directors**
Michael Buckley, Chairman
Atul Bali, Deputy Executive Chairman
Patrick Southon, Chief Executive Officer
Simon Collins, Executive Director
Mark Segal, Chief Financial Officer
Jim Ryan, Non-executive Director
Mark Wilson, Non-executive Director

**Company Secretary**
Mark Segal

**Auditors**
BDO LLP, 55 Baker Street, London, W1U 7EU

**Bankers**
Barclays Bank plc, 1 Churchill Place, London, E14 5HP

**Nominated advisers**
Cenkos, 6.7.8 Tokenhouse Yard, London, EC2R 7AS

**Solicitors**
Memery Crystal LLP, 44 Southampton Buildings, London, WC2A 1AP

**Registrars**
Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE

**Registered office**
One Valentine Place, London, SE1 8QH

**Registered number**
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