Gaming Realms plc
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London
www.gamingrealms.com

Gaming Realms plc
Annual Report and Accounts 2016

GAMING REALMS

PLAYING A NEW GAME

Gaming Realms is enjoying rapid growth as a developer, publisher and licensor of mobile games, building an international portfolio of highly popular gaming content and brands. Our continued vertically integrated approach, as well as investment in our proprietary mobile platform and successful brand partnerships gives us complete control to offer highly popular games to a very broad and loyal audience.

Strategic Report

Corporate Governance

Financial Statements

gamingrealms.com

HIGHLIGHTS

2016 FINANCIAL HIGHLIGHTS:

> Revenue grew by more than 60% to £34.0m (2015: £21.2m) for the year ended 31 December 2016. 106% growth excluding disposed non-core assets.
  - Real money gaming revenue increased by 100% to £21.5m (2015: £10.8m).
  - Daily social publishing revenue rose by 22% to £21,600 (2015: £17,747).
  - Licensing revenue increased 700% to £0.8m (2015: £0.1m).

> Improved profitability trend with H2/16 adjusted EBITDA of £2.0m (H2/15: loss £1.7m).

> Total new depositing players grew 47% to 249,355 (2015: 169,988).

> Full year adjusted EBITDA loss reduced to £1.0m (2015: £4.1m) which includes an adjusted EBITDA loss of £1.8m (10 August 2015 to 31 December 2015: £1.5m) from social publishing.

2016 OPERATIONAL HIGHLIGHTS:

> Game library growth to 8 proprietary games on our Grizzly platform.

> Own game content and IP generated 44% (2015: 34%) of real money gaming and social publishing revenue.

> Strategic brand partnership deployments with Britain's Got Talent, The X Factor, Express Newspapers and Deal or No Deal.

> Integration of real money gaming and social game development roadmap:
  - Deployment of Slingo Arcade on Facebook and mobile featuring Slingo real money games and lottery game library.

> IP licensing deals with Zynga and Scientific Games generated c.£0.7m in revenue in 2016.

> Development of Remote Game Server completed for licensing of content to adjacent markets. Ready to generate new vertical revenue in 2017.

INNOVATION AT OUR HEART

Gaming Realms develops, publishes and licenses next generation mobile gaming content. Our market-leading mobile technology powers content distribution and monetisation across real money and social gaming markets.

As the creator of a variety of Slingo™, bingo, slots and other casual games, we use our proprietary data platform to build and engage global audiences that are expanding even further via strategic lottery, media and platform partnerships. Gaming Realms has partnered some of the most successful and popular global platforms and operators.

INTEGRATED GAME DEVELOPMENT, LICENSING AND PUBLISHING

Game development

Three Mobile Games Studios

> London, United Kingdom
> Victoria, Canada
> Brest, Belarus

Game licensing

IP Licensor

> North American Lottery Printed Scratch Games – Scientific Games
> Global Video Gaming Machines – Scientific Games
> Global Lottery Mobile Instant Games – IWG
> Social Slot Games – Zynga Inc.

Content Licensor

> Social Puzzle Games – Electronic Arts Inc.
> Bingo – Pala Interactive
> iGaming Library – Caesars Interactive, Resorts Inc, Pala Interactive and one other US casino operator signed to date

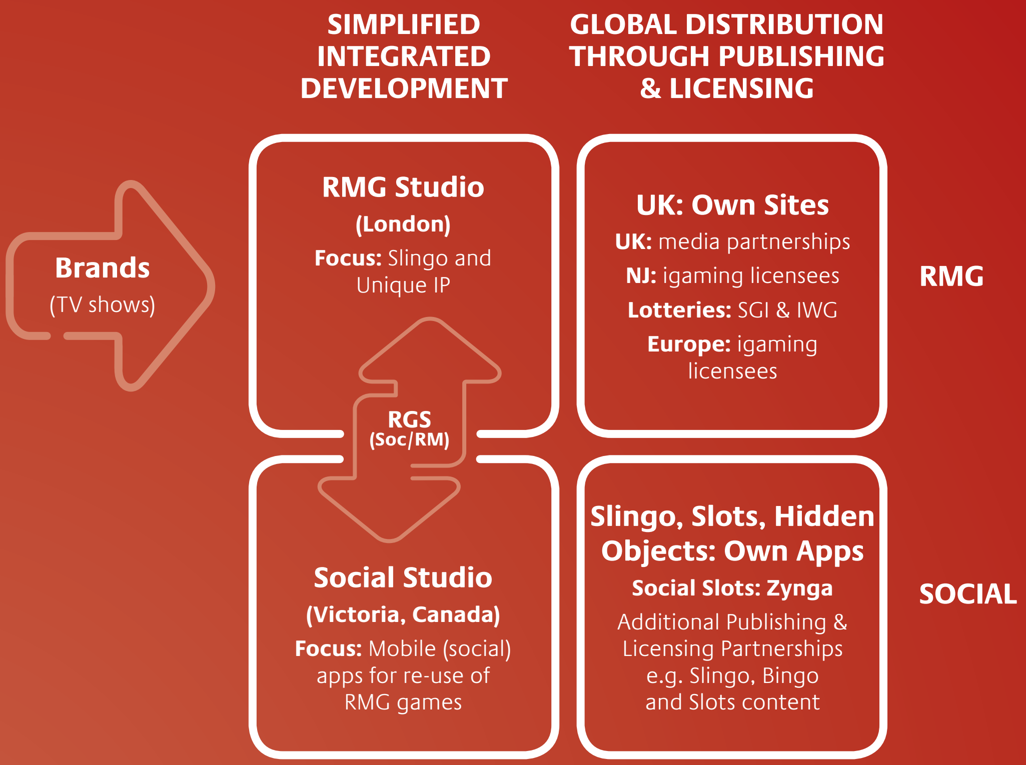
Brand Partnerships

> Endemol – Deal or No Deal
> Freemantle – Britain's Got Talent, The X Factor

Game publishing

End to end publisher with 100% regulated gaming and social games revenues

> Our mobile-first, real money gaming platform 'Grizzly' is licensed in Alderney and by the UK Gambling Commission.
> Our real money gaming players are exclusively in the UK today.
> Our mobile-first, social games are available on iOS, Google Play, Facebook, Amazon and mobile web.
> c.90% of our publishing revenue is derived from mobile with our platform and games optimised for every device.
> Our platform is powered by sophisticated data science and engineering to drive optimal ROI for acquiring and retaining our audience.



OUR KEY FOCUS AREAS

Original game content and IP development

We build original content from our own London, Victoria and Brest based studios incorporating social meta games 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 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 gaining particular traction with both a younger and more female demographic.

Advanced mobile gaming platform

We have invested significantly in our mobile based gambling and social platforms powered by algorithmic CRM and personalised content. Our real money gambling business is operated from Guernsey and fully licensed by the UK Gambling Commission for both development and operation.

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/IGT, Aristocrat, Betfair, SkyVegas, Double Down, 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, 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

CONTINUING TO DELIVER

MICHAEL BUCKLEY
Chairman

26 April 2017

2016 has been another year of significant progress for Gaming Realms. Revenue increased by more than 60% to £34.0m (2015: £21.2m). The Group also delivered its first profitable reporting period in H2/16 with an adjusted EBITDA profit of £2.0m (H2/15: loss of £1.7m), reinforcing the Board's view that its strategy of investing in high quality, high value assets and the focus on execution has allowed the Group to achieve strong top line growth while delivering an improving bottom line performance.

During the first half of 2016 non-core assets, including our bingo sites on a third-party platform were disposed of, focusing the Group on our own platform. In addition, we disposed of QuickThink Media to Ayima, integrating our in-house digital marketing agency with a high growth full service agency in exchange for an equity stake in Ayima.

2016 has also been the first full year of integration and operation of the Slingo IP and social publishing business acquired from Real Networks in H2/15. In addition to driving significant new content for our real money gaming business, this acquisition has delivered third party royalty savings as well as providing a significant new addressable market for Gaming Realms' game content, IP and marketing capability. During the year we created and deployed several new social apps and integrated aspects of the business with our real money gaming business. Through further operational synergies as well as innovative new product growth, it is our expectation that these investments and enhancements to the way we operate will deliver greater profitability in 2017.

The Board continues to review growth opportunities in adjacent markets for our existing content. The acquisition of the Slingo brand and IP has allowed us to achieve significant licensing partnerships with Scientific Games, Zynga and Instant Win Gaming which are already yielding c.£0.7m in recurring revenue with limited recurring cost.

With increased focus on producing our own proprietary games for our real money gaming business, we are developing additional high margin revenue opportunities in social and real money game content licensing markets. These will come on stream in 2017.

We are delighted with the performance of our real money gaming business in which we were awarded the Mobile Casino Product of the Year award by eGaming Review. This is a strong endorsement of our execution in 2016 and how our mobile first strategy is yielding significant growth over the twelve-month period.

Our investment in producing our own content and developing this on our own platform has allowed us greater flexibility to deliver high rate revenue growth. As we scale revenue across our fixed costs this will deliver increased margin and enable us to achieve greater bottom line contribution. Using our own platform has reduced content royalties by 39% in the last year alone. In addition, the revenue from new content distribution and further IP licensing will further drive high margin revenue across the same fixed costs.

In summary, the Group has never been in a better position to drive further profitable growth across our real money gaming and content licensing revenue streams.

Real money gaming delivered year on year revenue growth of c.100%. The Group could have shown a small profit for the year had we decided to invest less heavily in the development and marketing of our new social publishing business. The social publishing adjusted EBITDA loss was £1.8m (10 August 2015 to 31 December 2015: £1.5m) due to new app development and new launches including the successful Slingo Arcade featuring our Slingo Original content.

Outlook for 2017

The Board has approved the 2017 operating plan which is to drive continued top line growth in UK real money gaming operations on our Grizzly platform and balance that with continuing to improve bottom line contribution from social publishing and content licensing. As in 2016, we will invest significantly in marketing during H1 particularly focused on the real money gaming business through strategic TV partnerships to build awareness and play frequency and reap the benefits of a scaled player base across the full year.

Following the disposal of our non-core assets in 2016, and as we continue to scale the business, we are now focused on profitable growth. We will allocate our capital and resources on the most profitable areas particularly real money gaming and our new content licensing revenue stream. Our plan is to achieve profitability for the full year in 2017.

We plan to extend our presence in New Jersey, having now achieved both product and platform approval. With the addition of several new licensees including Caesar's Interactive, Pala Interactive, Resorts and one other US operator, we will introduce our real money Slingo games into that territory. We hope to continue to benefit from the investment in development and integration synergies which were undertaken during 2016 in our social publishing business.

Board focus

Achievements in 2016

- POSITIVE ADJUSTED EBITDA H2/16
- COMMON GAME DEVELOPMENT ROADMAP
- DEVELOPMENT OF REMOTE GAME SERVER
- REDUCTION IN DIRECT COSTS TO 35% (2015: 42%) OF NGR IN RMG
- LAUNCH OF SLINGO ARCADE IN Q4/16

Priorities for 2017

- GROWING REAL MONEY GAMING AND CONTENT LICENSING
- PROFITABILITY IN SOCIAL PUBLISHING

CHIEF EXECUTIVE'S REVIEW

SET FOR GROWTH

PATRICK SOUTHON
Chief Executive Officer

26 April 2017

In 2016, the Group achieved market leading growth in its UK real money gaming business, integrated its new social business, built award winning content to complement its newly acquired IP and executed unique strategic partnerships with globally recognized brand licensors and gaming licensees.

Overview

The investment in both our proprietary platform and marketing has resulted in excellent growth in a competitive UK market place by allowing us to focus on a younger mobile based audience. Mobile now accounts for 84.0% (2015: 78.3%) of our player base.

Growth in 2016 has been supported by key media deals with Fremantle including The X Factor and Britain's Got Talent, which have allowed us to offer a more targeted gambling offering to our key demographic. We have augmented this by the in-house creation of 8 new unique 'Slingo Original' mobile games, which account for over £101m (2015: £56m) in wagering on the platform or 17% of the gross gaming revenue for the year. The most recent game Magic Mine is truly original in combining skill and chance as it attempts to mirror the 'fun element' of many social games, which are lacking in harder edged gambling products.

Overall wagering has increased by 51% to £609m (2015: £404m) and deposits have more than doubled to £49.0m (2015: £24.0m). As a more established platform we have been able to reduce bonus costs to 29% (2015: 43%) of gross gaming

116,349

New real money gaming depositors

22%

Increase in revenue per depositing player

revenue and lessen direct costs associated with the operation to 35% (2015: 42%) of revenue. This has allowed greater focus on marketing and revenue growth in the year.

Demand for our unique content has been such that it has led to the development of a Remote Game Server ('RGS') which allows our 'Slingo Original' games to be licensed to third party operators as premium content. This will form an increasing part of our strategy in 2017 as we look to differentiate ourselves from our competitors, as well as expand the reach of our content into new territories. Licensing deals to Zynga, Scientific Games and Instant Win Games in 2016 have paved the way for further deployment of our content into new jurisdictions such as Quebec through the Provincial Lottery monopoly and New Jersey through iGaming and Pala Interactive.

We have further integrated the social business, bought from Real Networks in 2015, with the creation of a shared development path which now allows us to deliver content simultaneously to both real money gaming and social audiences. The first offering in this regard is Slingo Arcade which, following launch in late Q4/16 rapidly has become the second highest grossing social app, scaling to an average of $8,000 per day in March 2017. In future, emphasis will be on using this channel to monetize content developed for real money gaming similar to licensing our content to third party operators. This will have resulted in a reduction in headcount from 53 in June 2016 to approximately 29 in June 2017 within social publishing.

Disposal of non-core assets

During the year we disposed of our non-core legacy third party platform assets which has allowed us to focus resources on our higher margin proprietary mobile gaming platform and our own high performance game content.

The disposal of our in-house digital marketing agency in a strategic partnership between Gaming Realms and Ayima, has allowed the Group to benefit from an enlarged marketing capability. We have been seeing the benefits of this on our acquisition channels on Grizzly.

Marketing

As a result of our marketing strategy our cost per acquisition on our Grizzly platform was £86 (2015: £79), one of the lowest across the industry for a UK casino and we gained 116,349 (2015: 78,198) new depositing players in the year. Our revenue per depositing player increased 22% to £153 (2015: £125) which is reflective of the greater operational improvements in the business despite a lower than normal gaming margin in H2.

Key Goals for 2017

> Allocation of capital and investment to the most profitable business segments i.e. real money gaming and content licensing.

> Focus on scaling UK real money gaming business for full year double digit revenue and profit growth.

> New regulated third party licensees for Gaming Realms proprietary content.

> Profitability in social publishing through integrated content development, marketing capability and focused marketing spend.

> Continued proprietary content development available across all revenue streams.

> Further expansion of strategic media partnerships across all revenue streams.

Game development and content licensing

> OWN GAME CONTENT AND IP GENERATED 44% OF REAL MONEY GAMING AND SOCIAL PUBLISHING REVENUE

> SLINGO ARCADE IS THE FASTEST GROWING APP IN SOCIAL PUBLISHING

> REMOTE GAME SERVER TO CREATE NEW REVENUE STREAM IN 2017

Strategic Partnerships

> MEDIA – FREEMANTLE, NORTHERN AND SHELL, ENDEMOL, SKY

> CONTENT – CAESARS, PALA, RESORTS AND ONE OTHER US OPERATOR

> IP – ZYNGA, SCIENTIFIC GAMES, INSTANT WIN GAMING

MARKET OVERVIEW

SUCCEEDING IN A DYNAMIC MARKET

We are continuing to focus on the younger more casual gambling demographic. We are targeting them through mobile delivery and original game IP. This is enabling us to acquire and engage players away from the more crowded, male orientated sportsbook market.

Content strategy

The 25 to 34 year-old group are our largest segment accounting for over 40% of all players. As a result of our content strategy, women are delivering higher lifetime values on the platform despite the fact that the active players, male to female ratio is 50:50.

£2.7BN

The size of the UK online casino market in 2016.

7%

Estimated CAGR 2016-2020 for UK online gaming market.

€7.2BN

Est. value of the addressable European online casino market in 2016.

49%

Average of casino revenue via mobile.

*European Online Gambling Industry update – 2017 Eilers & Krejcik Gaming 27 March 2017. Online Gambling Quarterly – Spring Edition March 2017.

1000 COMPANIES TO INSPIRE BRITAIN 2017

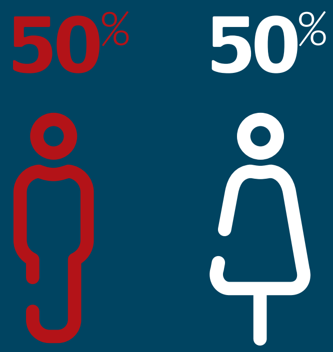
Award winning and inspirational

Gaming Realms is one of the fastest growing gaming companies, with more than 100% year-on-year revenue growth for real money gaming in 2015-16.

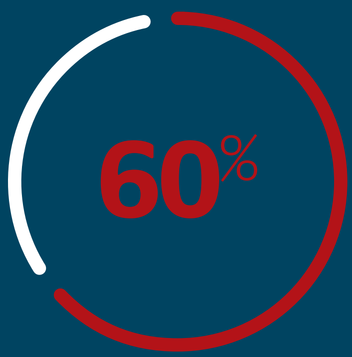
1000 Companies to Inspire Britain

Gaming Realms has been named by the London Stock Exchange Group as one of the 1000 Companies to Inspire Britain in 2016 and 2017.

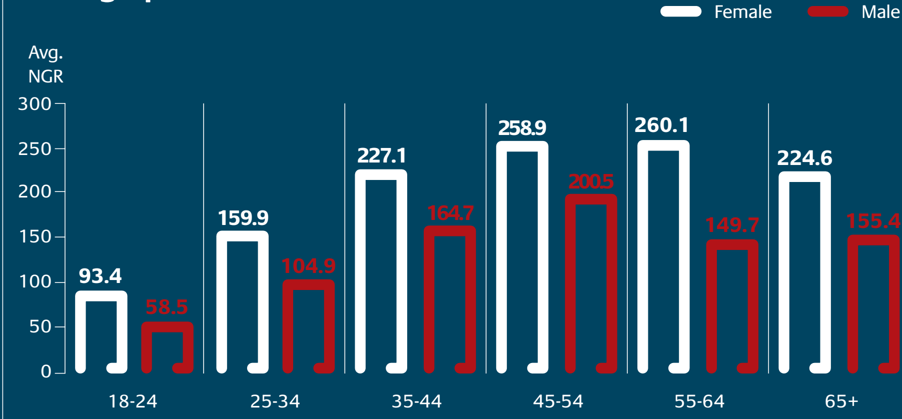
Real money players



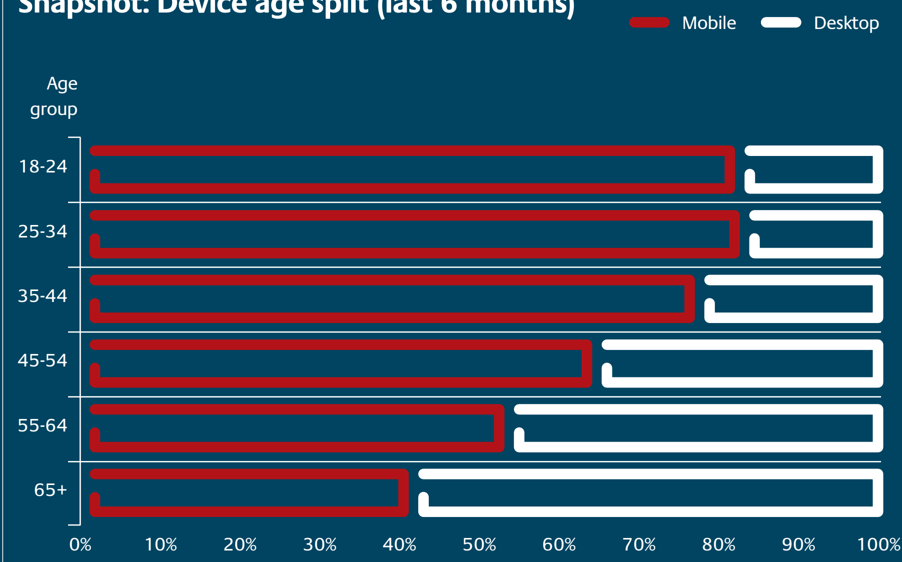
Players under 35



Demographic – NGR of funded users



Snapshot: Device age split (last 6 months)



Game activity by device (last 6 months)

	GGR	% of total GGR	Margin	Unique funded players	Unique players	Average age	Sessions	% of sessions
Desktop	5,894,153	19.65	4.75%	47,807	132,599	41	1,140,287	18.05%
Mobile	24,108,722	80.35	4.97%	129,800	439,064	35	5,178,161	81.95%

A STRONG PERFORMANCE

MARK SEGAL
Chief Finance Officer

26 April 2017

Gaming Realms has delivered year-on-year revenue growth of more than 60% to £34.0m (2015: £21.2m). This growth is a result of our proprietary platform scaling in both real money gaming and social publishing.

Overview

Real money gaming on the Grizzly platform has grown 100% to £21.5m (2015: £10.8m), with social gaming and licensing adding £8.7m (2015: £2.5m) of which content licensing was £0.8m (2015: £0.1m). In addition, affiliate marketing of £1.8m (2015: £2.1m) and disposed white label operations and agency business of £1.9m (2015: £5.7m) included below under real money gaming and marketing services. Adjusted EBITDA loss was £1.0m (2015: £4.1m) because of the investment in social publishing which contributed an adjusted EBITDA loss of £1.8m (10 August 2015 to 31 December 2015: £1.5m) due to continued app development and new launches including Slingo Arcade.

Marketing for the year, excluding disposed assets, was £13.9m (2015: £9.1m) as the Group continued to acquire players to grow its platform and revenues.

During the year, Gaming Realms disposed of its non-core legacy third party assets and its digital agency assets into a strategic partnership with Ayima. This has resulted in a profit on disposal in the year of £0.3m.

Income statement items

Like for like revenue growth (excluding the disposed assets) was 106% to £32.0m (2015: £15.5m) driven by the increase in real money gaming and social publishing.

106%

Increase in revenue excluding disposed non-core assets

£2.8m

Adjusted EBITDA profit from real money gaming and marketing services

Real money gaming and marketing services

The increase in revenue in real money gaming to £21.5m (2015: £10.8m) reflects the continuing investment into development, £1.5m (2015: £1.8m) and marketing £9.6m (2015: £6.7m). The marketing performance has exceeded expectations in the year delivering 116,349 (2015: 78,198) new depositing players at a cost per acquisition of £86 (2015: £79). Marketing services including disposed non-core assets contributed £3.7m (2015: £7.8m) to Group revenue, of which affiliate marketing services contributed £1.8m (2015: £2.1m) in revenue.

Operating expenses include point of consumption tax, third party royalties and transaction costs. The total cost of £10.8m (2015: £10.0m) includes the increased costs of £7.6m (2015: £4.6m) with respect to our real money gaming vertical, because of the increase in revenue and size of the operation. However, due to operational leverage that scale gives us, we saw a reduction in the year to 35% (2015: 42%) as a proportion of revenue.

Real money gaming and marketing services delivered positive adjusted EBITDA of £2.8m (2015: loss of £0.8m).

Social gaming and licensing

Key highlights for 2016 include:

> Completed development of RGS enabling a single development platform for our real money gaming operations, social publishing and content licensing.

> Investments in regulatory approvals in New Jersey provides a new high margin growth market for our proprietary content.

> New IP licensing revenue from Zynga and Scientific Games.

> 22% annualised social publishing revenue growth despite limited impact of new investment in Slingo Arcade which was launched in December 2016.

> Growth in player base to 1.2m (2015: 1.0m) average monthly active users.

Dividend

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

Corporation and deferred taxation

The Group received £27,961 (2015: £213,083) in research and development credits in the year and has recognised the unwind of deferred tax of £248,941 (2015: £122,692) on business combinations.

2016	Real money gaming and marketing services £	Social gaming £	Licensing £	Other £	Total 2016 £
Revenue	25,241,659	7,884,101	786,843	45,515	33,958,118
Marketing expenses	(10,847,107)	(3,937,053)	–	(26,756)	(14,810,916)
Operating expenses	(7,729,060)	(1,608,789)	–	–	(9,337,849)
Administrative expenses	(3,815,567)	(4,140,794)	(343,488)	(2,526,921)	(10,826,770)
Adjusted EBITDA*	2,849,925	(1,802,535)	443,355	(2,508,162)	(1,017,417)

2015	Real money gaming and marketing services £	Social gaming £	Licensing £	Other £	Total 2015 £
Revenue	18,640,602	2,413,566	123,592	30,686	21,208,446
Marketing expenses	(10,040,166)	(1,404,699)	–	(65,890)	(11,510,755)
Operating expenses	(5,163,629)	(561,626)	–	–	(5,725,255)
Administrative expenses	(4,268,580)	(1,940,543)	(19,332)	(1,851,397)	(8,079,852)
Adjusted EBITDA*	(831,773)	(1,493,302)	104,260	(1,886,601)	(4,107,416)

* 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. 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. 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. 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.	The Group continues to take advice and be prepared for any adverse changes in the gambling tax regime.
Residency	The Group has legal entities in several jurisdictions, including US, Canada and Alderney. Its real money gaming 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 has undertaken a detailed transfer pricing exercise to ensure that revenue and profits are attributed correctly between the operating locations.
Brexit	In the June 2016 referendum, the UK voted to leave the EU. This may increase the volatility of global currency and financial markets. In addition, it may reduce the Group's ability to operate in certain EU markets without a change in domiciliation, which could carry a higher tax burden.	The Group will continue to monitor the situation and respond as the timing and terms of the UK's exit from the EU become clearer.
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. Diverse products and geographies also helps to diversify the risk.

Risk level

HIGH RISK

MEDIUM RISK

LOW RISK

Risk	Description of risk	How this risk is managed
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. Extensive work is undergone on the planning stage to ensure that timeframes can be met and products go live at the highest standard.
Dependence on technology	As a provider of online gambling services, the Group's business is reliant on technology and advanced information systems. If the Group does not invest in the maintenance and further development of its technology systems, there is a risk that these systems may not cope with the needs of the business and may fail. The Group is reliant on the Internet and is vulnerable to activities such as distributed denial of service attacks, other forms of cyber-crime and a wide range of malicious viruses.	The Group continues to invest in its proprietary platform to ensure the necessary features and functionality meet their partner needs. In addition, it has adopted industry standard protections to detect intrusions or other security breaches and implements preventative measures to protect against sabotage, hackers, viruses and other cyber-crime.
Dependence on third-party service providers	The Group engages with a number of providers of non-proprietary third party games and payment processing services, as well as other important service providers. In the event that there is any interruption to the products or services provided by third parties, problems in supplying the products, one or more ceased to be provided or are provided on onerous terms to the Group, this may have an adverse effect on the Group's business and performance.	The Group uses reliable industry suppliers and ensures that contractual agreements with key partners offer adequate protection.
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. To ensure this happens, the Group has taken on a management and engagement course during the year for all roles within the business.

The 2016 Strategic Report on pages 1 to 13 has been approved by the Board of Directors.

On behalf of the Board

MICHAEL BUCKLEY
Chairman

26 April 2017

PATRICK SOUTHON
Chief Executive Officer

26 April 2017

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 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 board 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 & CEO of GTECH G2 (following a long career in mergers and acquisitions, corporate and global business development for GTECH).

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 16 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 of Cashcade in 2000. He formed a range of profitable B2B 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. In a M&A context, Simon helped scale Cashcade by identifying Herotech, the owner of ThinkBingo which was added in 2007 for £13.5m. After Cashcade was acquired by bwin.party in 2009, Simon remained with the company until April 2011, where he focused on innovation, research and development as well as the ongoing development of Cashcade's brand in the social media space. Since leaving bwin.party, Simon joined Patrick Southon in founding Gaming Realms plc.

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.

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 Chief Executive Officer of Excapsa Software Inc. and as Chief Financial Officer of CryptoLogic Inc. and Chief Financial Officer 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.

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.

Paul Gambrell
Chief Technology Officer

Paul Gambrell is a technology evangelist and web technologies expert with over ten years' experience building online gaming platforms and driving the adoption of modern technologies in the gambling sector.

After beginning his career at Virtue Fusion and Playtech, Paul was part of the founding team of social gaming development house Bejig. Following the acquisition of Bejig by Gaming Realms in 2013, he has steered the technical direction of the Group, leading the platform development team for three years before taking over as CTO.

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 Munro
Operational Director of Bear Group Limited

Paul Munro has over 15 years experience in the online gambling sector. Previously he was Operations Director with Sportech plc, where he managed the growth and expansion of the business, including The Footballpools and Littlewoods. Prior to this he launched Virgin Games online, as Marketing Manager, establishing the brand in the gaming sector and also built a Live Presenter bingo business establishing it into the B2B marketplace.

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.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their Annual Report together with the audited financial statements for the year ended 31 December 2016.

Principal activities

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

These financial statements present the results of the Group from 1 January 2016 to 31 December 2016.

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 auditors

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.

Financial instruments

Details of the Group's financial risk management objectives and policies are included in note 20 to the 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 12.

Future developments

Future developments are discussed in the Chairman's Statement on page 5 and in the Chief Executive's Review on page 7.

PATRICK SOUTHON
Chief Executive Officer

26 April 2017

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), 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

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 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 2016 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 International Financial Reporting Standards (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).

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 2016 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, based on the work undertaken in the course of the audit:

> 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; and

> the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters 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

26 April 2017

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 2016

	Note	**1 January 2016 to 31 December 2016 £**	1 January 2015 to 31 December 2015 £
Revenue		**33,958,118**	21,208,446
Marketing expenses	3	**(14,810,915)**	(11,510,755)
Operating expenses	3	**(9,337,851)**	(5,725,255)
Administrative expenses	3	**(10,826,769)**	(8,079,852)
Adjusted EBITDA*		**(1,017,417)**	(4,107,416)
Acquisition costs	4	**–**	(318,853)
Profit on disposal of digital marketing agency and third-party platform driven website properties	5	**318,834**	–
Share-based payment	24	**(993,349)**	(673,730)
EBITDA		**(1,691,932)**	(5,099,999)
Amortisation of intangible assets	3	**(3,979,941)**	(2,230,940)
Depreciation of property, plant and equipment	3	**(120,789)**	(59,861)
Finance expense	11	**(1,178,154)**	(393,579)
Finance income	11	**3,022**	7,579
Loss before tax		**(6,967,794)**	(7,776,800)
Tax credit	12	**272,451**	335,775
Loss for the financial year		**(6,695,343)**	(7,441,025)
Other comprehensive income			
Items which may change in future periods:			
Exchange losses arising on translation of foreign operations		**1,836,352**	605,546
Total other comprehensive income		**1,836,352**	605,546
Total comprehensive income		**(4,858,991)**	(6,835,479)
Loss attributable to:			
Owners of the parent		**(6,685,120)**	(7,441,025)
Non-controlling interest		**(10,223)**	–
		(6,695,343)	(7,441,025)
Total comprehensive income attributable to:			
Owners of the parent		**(4,882,234)**	(6,835,479)
Non-controlling interest		**23,243**	–
		(4,858,991)	(6,835,479)
Loss per share			
Basic and diluted (pence)	13	**(2.55)**	(3.45)

The notes on pages 24 to 48 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 2016

	Note	31 December 2016 £	31 December 2015 £
Assets			
Non-current assets			
Property, plant and equipment	14	**373,307**	189,652
Goodwill	15	**16,545,864**	18,092,116
Available for sale investment	5	**540,000**	–
Intangible assets	15	**12,115,973**	10,835,685
Other assets	16	**152,000**	152,000
		29,727,144	29,269,453
Current assets			
Trade and other receivables	17	**3,347,595**	4,018,084
Cash and cash equivalents	16	**2,616,267**	2,536,388
		5,963,862	6,554,472
Total assets		**35,691,006**	35,823,925
Liabilities			
Current liabilities			
Trade and other payables	19	**7,058,781**	4,327,965
Deferred and contingent consideration	26	**3,135,356**	4,990,966
		10,194,137	9,318,931
Non-current liabilities			
Deferred tax liability	12	**1,202,889**	1,232,597
Deferred and contingent consideration	26	**–**	2,474,533
		1,202,889	3,707,130
Total liabilities		**11,397,026**	13,026,061
Net assets		**24,293,980**	22,797,864
Equity			
Share capital	21	**27,413,329**	24,920,829
Share premium	22	**87,095,455**	85,127,955
Merger reserve	22	**(67,673,657)**	(68,393,657)
Foreign exchange reserve	22	**2,408,432**	605,546
Retained earnings	22	**(25,154,580)**	(19,462,809)
Total equity attributable to owners of the parent		**24,088,979**	22,797,864
Non-controlling interest		**205,001**	–
Total equity		**24,293,980**	22,797,864

The notes on pages 24 to 48 form part of these financial statements. The financial statements were approved and authorised for issue by the Board of Directors on 26 April 2017 and were signed on its behalf by:

PATRICK SOUTHON
Chief Executive Officer

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Loss for the year		**(6,695,343)**	(7,441,025)
Adjustments for:			
Depreciation of property, plant and equipment	14	**120,789**	59,861
Amortisation of intangible fixed assets	15	**3,979,941**	2,230,940
Finance income	11	**(3,022)**	(7,579)
Finance expense	11	**36,850**	21,409
Movement in deferred and contingent consideration	11	**1,141,304**	372,170
Contingent consideration on prior period acquisitions		**–**	105,000
Unrealised currency translation gains		**(191,548)**	–
Unwind of deferred tax recognised on business acquisitions	12	**(248,941)**	(122,692)
Loss on disposal of property, plant and equipment	14	**6,531**	42,372
Loss on disposal of intangible assets	15	–	106,043
Profit on disposal of digital marketing agency and third-party platform driven website properties	5	**(318,834)**	–
Share-based payment expense	24	**993,349**	673,730
Increase/decrease in trade and other receivables		**643,961**	(1,177,150)
Increase in trade and other payables		**2,759,244**	1,458,801
Decrease in other assets		–	6,500
Net cash flows from operating activities		**2,224,281**	(3,671,620)
Investing activities			
Acquisition of subsidiary, net of cash acquired	25,26	**18,759**	(6,652,050)
Purchases of property, plant and equipment	14	**(289,256)**	(68,055)
Purchase of intangibles	15	**(3,969,611)**	(1,805,913)
Proceeds from disposal of third-party platform driven website properties		**1,200,000**	–
Interest received	11	**3,022**	7,579
Net cash from investing activities		**(3,037,086)**	(8,518,439)
Financing activities			
Proceeds of Ordinary Share issue		**4,025,000**	12,500,000
Issuance cost of shares		**(45,000)**	(501,534)
Payment of deferred consideration	26	**(3,071,447)**	(1,250,000)
Repayment of other loans		–	(14,504)
Interest paid	11	**(36,850)**	(21,409)
Net cash from financing activities		**871,703**	10,712,553
Net increase/(decrease) in cash and cash equivalents		**58,898**	(1,477,506)
Cash and cash equivalents at beginning of year		**2,516,820**	3,994,326
Exchange gains on cash and cash equivalents		**21,747**	–
Cash and cash equivalents at end of year	17	**2,597,465**	2,516,820

The notes on pages 24 to 48 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital £	Share premium £	Merger reserve £	Foreign exchange reserve £	Retained earnings £	Total to equity holders of parent £	Non-controlling interest £	Total equity £
1 January 2015	**19,517,049**	**78,119,547**	**(69,334,935)**	**–**	**(12,695,514)**	**15,606,147**	**–**	**15,606,147**
Loss for the year	–	–	–	–	(7,441,025)	(7,441,025)	–	(7,441,025)
Other comprehensive income	–	–		605,546	–	605,546	–	605,546
Total comprehensive income for the year	–	–	–	605,546	(7,441,025)	(6,835,479)	–	(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	–	1,355,000
Shares issued as part of the capital raising	4,990,058	7,509,942	–	–	–	12,500,000	–	12,500,000
Cost of issue of Ordinary Share capital	–	(501,534)	–	–	–	(501,534)	–	(501,534)
Share-based payment on share options (Note 24)	–	–	–	–	673,730	673,730	–	673,730
31 December 2015	**24,920,829**	**85,127,955**	**(68,393,657)**	**605,546**	**(19,462,809)**	**22,797,864**	**–**	**22,797,864**
Loss for the year	–	–	–	–	(6,685,120)	(6,685,120)	(10,223)	(6,695,343)
Other comprehensive income	–	–	–	1,802,886	–	1,802,886	33,466	1,836,352
Total comprehensive income for the year	–	–	–	1,802,886	(6,685,120)	(4,882,234)	23,243	(4,858,991)
Contributions by and distributions to owners								
Shares issued as part of the consideration in a business combination	480,000	–	720,000	–	–	1,200,000	–	1,200,000
Shares issued as part of the capital raising	2,012,500	2,012,500	–	–	–	4,025,000	–	4,025,000
Cost of issue of Ordinary Share capital	–	(45,000)	–	–	–	(45,000)	–	(45,000)
Share-based payment on share options (Note 24)	–	–	–	–	993,349	993,349	–	993,349
Non-controlling interests on acquisition of subsidiary	–	–	–	–	–	–	181,758	181,758
31 December 2016	**27,413,329**	**87,095,455**	**(67,673,657)**	**2,408,432**	**(25,154,580)**	**24,088,979**	**205,001**	**24,293,980**

The notes on pages 24 to 48 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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 comparative statement of cash flows has been restated which has resulted in a decrease of £244,117 in financing inflow and an increase of £244,117 in operating inflow. There were no changes to closing cash and cash equivalents.

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 judgments have been made in preparing the financial statements and their effect 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 2016 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.

Going concern

The financial statements have been prepared on a going concern basis. In August 2017 the final deferred consideration of $4m falls due to Real Networks from the acquisition made on 10 August 2015. The Directors have received draft terms, subject to normal commercial agreements, for an external debt facility of up to £5m and therefore have confidence that sufficient funds can be raised. The Directors will consider the approval of this external debt facility along with other options available to them.

Having reviewed the forecasts of the business and based on the status of current discussions with regards additional investment or financing, the Directors have a reasonable expectation to believe it is appropriate to continue to prepare the financial statements on a going concern basis.

Revenue

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

Net gaming revenue derived from real money gaming

Net gaming revenue derives from online gambling operations and is defined as the difference between the amounts of bets placed by 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.

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. 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. However, where there is ongoing obligations to the Group, license fees are recognised over the estimated period of the license to the licensee.

Administrative expenses

Administrative expenses include staff costs, professional, consulting and legal fees and other costs.

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

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 statement of comprehensive income.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

1. Accounting policies (continued)

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 (e.g. 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.

Available-for-sale investment

Non-derivative financial assets not included in the above categories re classified as available-for-sale and comprise principally the Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value, other than those arising due to exchange rate fluctuations and interest calculated using the effective interest rate, recognised in other comprehensive income and accumulated in the available-for-sale reserve. Exchange differences on investments denominated in a foreign currency and interest calculated using the effective interest rate method are recognised in profit and loss.

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.

Non-controlling interests

Non-controlling interest is recognised at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

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).

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
Intellectual property	8 years
Domain name	2-3 years
Software	3 years

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).

1. Accounting policies (continued)

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

There are no new standards, interpretations or amendments which became effective in the period which have had a material effect on the Group's financial statements.

Management are considering whether IFRS 15 Contracts with customers and IFRS 16 Leases, which are effective for periods beginning after 1 January 2018 and 1 January 2019 respectively, will have a material effect on the Group's future financial statements.

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.

(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) 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 twelve months to eight years for acquisitions to date.

(d) 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 second 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.

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 gaming 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.

3. Expenses by nature

	2016 **£**	2015 £
Operating, administrative and marketing expenses includes:		
Employee benefit expenses (see Note 9)	**8,190,491**	6,186,605
Depreciation of property, plant and equipment	**120,789**	59,861
Amortisation of intangible assets	**3,979,941**	2,230,940
Advertising expenses	**14,810,915**	11,510,755

4. Adjusted EBITDA

	2016 **£**	2015 £
Acquisition costs	**–**	(318,853)
Profit on disposal of digital marketing agency and third-party platform driven website properties	**318,834**	–
Share-based payments	**(993,349)**	(673,730)
	(674,515)	(992,583)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

5. Profit on disposal

Disposal of third-party platform driven website properties

On 4 March 2016, the Group disposed of its third-party platform driven website properties, for a total consideration of £2.4m. Black Spark Media Limited paid the Group an upfront cash payment of £1.2m with the remaining £1.2m payable by Silverspin Media Limited, settled by way of waiving the final earn out payment to the previous shareholders of Blueburra Holding Limited. Chris Phillips and Scott Logan, shareholders of Silverspin Media, and were Directors of the Company's subsidiaries Blueburra Holdings Limited and Digital Blue Limited at the time of the disposal are therefore classified as related parties. The above waiving of £1.2m contingent consideration in exchange for the disposal of assets constitutes a major non-cash transaction in the year. An additional £500,000 is receivable under a transitional services agreement over a 5-month period with Black Spark Media Limited.

	2016 £
Consideration received:	
Cash consideration	1,200,000
Contingent consideration waived with respect to the Blueburra Holdings Limited	1,200,000
	2,400,000
Net assets disposed:	
Property, plant and equipment	427
Intangible	246,081
Goodwill	2,266,241
Trade and other receivables	14,763
Trade and other payables	(108,060)
	2,419,452
Loss on disposal of third-party platform driven website properties	(19,452)

Disposal of digital marketing agency

On 6 June 2016, the Group entered into a strategic partnership with digital marketing company Ayima Limited. Under the terms of the partnership, the Group has agreed to contribute assets comprising its external digital marketing agency to Ayima Limited. As consideration for the disposal of the Assets, the Group were issued shares to 10% of the enlarged issued share capital of Ayima Limited. The 10% shares have been valued at approximately £540,000, based on a valuation performed by an external advisor. This is a level 3 valuation as defined by IFRS 13. The valuation is based on the net present value of future results. The directors consider the value unchanged at the reporting date.

	2016 £
Consideration received:	
Available-for-sale investment in Ayima Limited	540,000
Net assets disposed:	
Property, plant and equipment	4,190
Goodwill	247,524
Trade and other payables	(50,000)
	201,714
Profit on disposal of the digital marketing agency	338,286

6. Auditor's remuneration

During the year the Group obtained the following services from the Company's auditor:

	2016 £	2015 £
Fees payable to the Company's auditor for the audit of the company's annual accounts	**25,000**	30,000
Fees payable to the Company's auditor for the audit of the subsidiary's financial statements	**75,000**	76,727
Fees payable to the Company's auditor for other services:		
– Acquisition and assurance services	**–**	24,227
– Tax compliance services	**57,630**	14,601
– Tax advisory services	**13,735**	18,235

7. Key management personnel remuneration

	2016 £	2015 £
Short-term benefits of key management personnel	**2,118,036**	**1,496,837**
Post-employment benefits of key management personnel	**50,475**	**40,014**
Share-based benefits of key management personnel	**478,237**	**291,960**
	2,646,748	**1,828,811**

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

8. Directors' remuneration

The following table presents the Directors' remunerations of the Company for the year ended 31 December 2016.

	Salary and fees £	Benefits £	2016 Total £	2015 Total £
Michael Buckley*	335,000	–	335,000	260,000
Patrick Southon	218,750	11,453	230,203	141,283
Simon Collins	140,000	7,517	147,517	126,596
Mark Segal	150,000	659	150,659	137,516
Jim Ryan	40,000	–	40,000	40,000
Mark Wilson	40,000	–	40,000	40,000
Atul Bali	335,268	16,706	351,974	139,618
	1,259,018	**36,335**	**1,295,353**	**885,013**

* These consulting fees of £275,000 (2015: £200,000) include payment for expenses incurred by Dawnglen Finance Limited, a company controlled by Michael Buckley, on behalf of the company.

Directors' interests in long-term incentive plans

The Directors' ordinary shares in the Company, were as follows:

£0.10 ordinary shares	2016 Number of shares	2015 Number of shares
Michael Buckley	**22,000,000**	21,000,000
Patrick Southon	**11,735,501**	11,585,501
Simon Collins	**10,624,924**	10,524,924
Mark Segal	**740,761**	740,761
Jim Ryan	**1,384,615**	1,384,615
Mark Wilson	**384,615**	384,615
Atul Bali	**1,825,000**	1,000,000
	48,695,416	46,620,416

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

8. Directors' remuneration (continued)

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

	Option at 1 January 2016	Option granted	Options lapsed	Option at 31 December 2016	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]	5,750,000	–	–	5,750,000	£0.23	–	17 June 2014, 10 October 2015

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

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

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

9. Employee benefit expenses

	2016 £	2015 £
Employee benefit expenses (including directors) comprise:		
Wages and salaries	**8,827,513**	5,970,983
Share-based payment expense (Note 24)	**993,349**	673,730
Social security contributions and similar taxes	**604,086**	640,604
Pension contributions	**135,455**	144,107
	10,560,403	7,429,424
Staff costs capitalised in respect of internally generated intangible assets	**(2,369,912)**	(1,242,819)
	8,190,491	6,186,605

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.

	2016 £	2015 £
The average number of persons, including Directors:		
Operational	**50**	32
Development	**52**	39
Marketing	**18**	27
Management and administrative	**30**	23
	150	121

10. 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 three reportable segment. The social publishing provides freemium games to the US and Europe. Licensing includes IP brand and content licensing to partners in the US and Europe. The real money gaming products and marketing services operates our brands and provides other digital marketing services to both gaming and non-gaming clients in the UK.

During the year, the Group disposed of the digital marketing agency and third-party platform driven website properties previously included in the real money gaming and marketing services segments.

Revenue by product:

	2016 £	2015 £
Real money gaming and affiliate marketing	**23,313,208**	12,933,225
Disposed white label and agency business	**1,928,451**	5,707,377
Social publishing	**7,884,101**	2,413,566
Licensing	**786,843**	123,592
Other	**45,515**	30,686
	33,958,118	21,208,446

There was 0 (2015: 1) customer who generated more than 10% of total revenue. Total sales to this customer, which received marketing services in the prior year were £1,296,670.

Geographical information

The Group considers that its primary geographic regions are the UK, including Channel Islands, US and the Rest of World. No revenue is derived from real money gaming in the US. Revenues from customers outside the UK (including Channel Islands) and 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 2016 £	External revenue by location of customers 2015 £
UK, including Channel Islands	**23,925,469**	17,656,043
US	**6,754,016**	1,752,753
Rest of the World	**3,278,633**	1,799,650
	33,958,118	21,208,446

10. Segment information (continued)

Segmental reporting for the year is as below:

	Real money gaming and marketing services £	Social gaming £	Licensing £	Other £	Total 2016 £
Revenue	25,241,659	7,884,101	786,843	45,515	33,958,118
Marketing expense	(10,847,107)	(3,937,053)	–	(26,756)	(14,810,916)
Operating expense	(7,729,060)	(1,608,789)	–	–	(9,337,849)
Administrative	(3,815,567)	(4,140,794)	(343,488)	(2,526,921)	(10,826,770)
Adjusted EBITDA	**2,849,925**	**(1,802,535)**	**443,355**	**(2,508,162)**	**(1,017,417)**
Profit on disposal of digital marketing agency and third-party platform driven website properties					318,834
Share-based payment					(993,349)
EBITDA					**(1,691,932)**
Amortisation of Intangible assets					(3,979,941)
Depreciation of property, plant and equipment					(120,789)
Finance expense					(1,178,154)
Finance income					3,022
Loss before tax					**(6,967,794)**

	Real money gaming and marketing services £	Social gaming £	Licensing £	Other £	Total 2015 £
Revenue	18,640,602	2,413,566	123,592	30,686	21,208,446
Marketing expense	(10,040,166)	(1,404,699)	–	(65,890)	(11,510,755)
Operating expense	(5,163,629)	(561,626)	–	–	(5,725,255)
Administrative	(4,268,580)	(1,940,543)	(19,332)	(1,851,397)	(8,079,852)
Adjusted EBITDA	(831,773)	(1,493,302)	104,260	(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. Management do not report segmental assets and liabilities internally and as such an analysis is not reported.

11. Finance income and expense

	2016 £	2015 £
Finance income		
Interest received	**3,022**	7,579
Total finance income	**3,022**	7,579
Finance expense		
Bank interest expense paid	**36,850**	21,409
Deferred and contingent consideration movement	**292,212**	233,053
Fair-value adjustment of contingent consideration	**–**	(134,017)
Foreign exchange movement on deferred consideration	**849,092**	273,134
Total finance expense	**1,178,154**	393,579

The deferred consideration in relation to the acquisition from RealNetworks, Inc. was retranslated at the year-end exchange rate which resulted in a £849,092 (2015: £273,134) charge in the current year.

12. Tax expense

	2016 £	2015 £
Tax expense		
Current tax expense		
Adjustment for over provision in prior periods	**(4,451)**	–
Current tax credit on losses for the period	**27,961**	213,083
Total current tax	**23,510**	213,083
Deferred tax expense		
Origination and reversal of temporary differences	**248,941**	122,692
Total deferred tax	**248,941**	122,692
Total tax credit	**272,451**	335,775

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:

	2016 £	2015 £
Loss for the period	**(6,967,794)**	(7,776,800)
Expected tax at effective rate of corporation tax in the UK of 20% (2015: 20.25%)	**(1,393,559)**	(1,574,802)
Expenses not deductible for tax purposes	**224,896**	273,077
Depreciation in excess of capital allowances	**7,543**	18,501
Effects of overseas taxation	**(224,795)**	316,501
Unwind of deferred tax recognised on business acquisitions	**(248,941)**	(122,692)
Research & development tax credit	**(27,961)**	(213,083)
Adjustment for over provision in prior periods	**4,451**	–
Tax losses carried forward	**1,385,915**	966,723
Total tax credit	**(272,451)**	(335,775)

12. Tax expense (continued)

Changes in tax rates and factors affecting the future tax charge

On 15 September 2016, the Finance Act received Royal Assent and so the previous rate of corporation tax of 20% was enacted from 1 April 2016. Accordingly, deferred tax balances as at 31 December 2016 have been recognised at 20% (2015: 20%).

The Chancellor has further stated his intention to reduce the main rate of incorporation to 19% from 1 April 2017 and to 17% from 1 April 2020. These changes have not been substantively enacted at the balance sheet date. This will have the effect of reducing the Group's future current tax charge accordingly.

There are unused tax losses carried forward as at the balance sheet date of £31,365,784 (2015: £27,278,988) equating to an unrecognised deferred tax asset of £6,273,157 (2015: £5,455,798). 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.

Deferred Tax Liability

	2016 £	2015 £
At 1 January	**1,232,597**	39,288
Addition	–	1,247,434
Unwind of deferred tax recognised on business acquisitions	**(248,941)**	(122,692)
FX movement	**219,233**	68,567
	1,202,889	1,232,597

13. 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 (see note 24) are currently dilutive.

	2016 £	2015 £
Loss after tax	**(6,695,343)**	(7,441,025)
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	**262,432,743**	215,672,706
Weighted average number of ordinary shares used in calculating dilutive loss per share	**262,432,743**	215,672,706
Basic and diluted loss per share (pence)	**(2.55)**	(3.45)

14. Property, plant and equipment

	Leasehold improvements £	Computers and related equipment £	Office furniture and equipment £	Total £
Cost				
Balance at 1 January 2015	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
Acquired through business combination	–	–	8,549	8,549
Additions	196,096	48,141	45,019	289,256
Disposals	–	(13,568)	–	(13,568)
FX movement	11,550	3,889	3,876	19,315
At 31 December 2016	**293,975**	**162,095**	**118,246**	**574,316**
Accumulated deprecation				
Balance at 1 January 2015	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**
Depreciation charge	58,322	40,304	22,163	120,789
Disposals	–	(7,037)	–	(7,037)
FX movement	3,256	1,855	1,034	6,145
At 31 December 2016	**78,074**	**85,644**	**37,291**	**201,009**
Net book value				
At 1 January 2015	64,476	47,009	31,679	143,164
At 31 December 2015	69,833	73,111	46,708	189,652
At 31 December 2016	**215,901**	**76,451**	**80,955**	**373,307**

15. Intangible assets

	Goodwill £	Customer database £	Software £	Development costs £	Domain names £	Intellectual property £	Total £
Cost							
Balance at 1 Jan 2015	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**
Acquired through business combination (Note 25)	75,413	–	217,216	–	–	–	292,629
Additions	–	–	–	3,969,611	–	–	3,969,611
Disposals	(2,513,765)	(698,446)	–	–	–	–	(3,212,211)
FX movement	892,100	266,769	230,043	–	66,217	1,047,051	2,502,180
At 31 December 2016	**16,545,864**	**4,111,971**	**1,538,500**	**6,858,335**	**429,618**	**6,401,430**	**35,885,718**
Amortisation							
Balance at 1 Jan 2015	–	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
Amortisation charge	–	1,156,153	440,219	1,517,989	132,965	732,615	3,979,941
Disposals	–	(452,365)	–	–	–	–	(452,365)
FX movement	–	81,939	67,052	260	20,386	120,960	290,597
At 31 December 2016	**–**	**2,841,672**	**642,988**	**2,438,105**	**198,932**	**1,102,184**	**7,223,881**
Net book value							
At 1 January 2015	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
At 31 December 2016	**16,545,864**	**1,270,299**	**895,512**	**4,420,230**	**230,686**	**5,299,246**	**28,661,837**

Goodwill

During the year, the Group acquired 62.5% of the share capital of Hullabu Inc resulting in addition to goodwill of £75,413 (see note 25).

In accordance with IAS 36, the Group regularly monitors the carrying value of its intangible assets. A detailed review was undertaken at 31 December 2016 to assess whether the carrying value of assets was supported by net present value of futures cash flows derived from those assets. The Group has three cash generating unit 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% (2015: 2%) has been assumed. A discount rate of 25% (2015: 25%) has been used in discounting the projected cash flows, is based on the Group's specific risk adjusted Weighted Average Cost of Capital.

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;

> 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:

	2016 **£**	2015 £
Real money gaming and affiliate marketing	**11,030,140**	13,543,905
Licensing	**2,263,770**	1,894,439
Social gaming	**3,251,954**	2,653,772
	16,545,864	18,092,116

16. Other assets

	2016 **£**	2015 £
Other assets	**152,000**	152,000

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

17. Cash and cash equivalents

	2016 **£**	2015 £
Cash and cash equivalents	**2,597,465**	2,516,820
Restricted cash	**18,802**	19,568
	2,616,267	2,536,388

Restricted cash of £18,802 (2015: £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.

18. Trade and other receivables

	2016 **£**	2015 £
Trade and other receivables	**2,736,039**	2,473,844
Allowance for doubtful debts	**(1,478)**	(8,938)
	2,734,561	2,464,906
Prepayments and accrued income	**613,034**	1,553,178
	3,347,595	4,018,084

All amounts shown fall due for payment within one year.

19. Trade and other payables

	2016 £	2015 £
Trade and other payables	**2,012,196**	2,105,335
Accruals	**4,681,212**	1,883,805
Player liabilities	**365,373**	338,825
	7,058,781	4,327,965

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

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 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.

	Loans and receivables		Available-for-sale	
	2016 £	2015 £	2016 £	2015 £
Financial assets				
Cash and cash equivalents	**2,616,267**	2,536,388	–	–
Trade and other receivables	**2,734,561**	2,464,906	–	–
Other assets	**152,000**	152,000	–	–
Equity investments	**–**	–	**540,000**	–
Financial liabilities				
Trade and other payables	**2,012,196**	2,105,335	–	–
Accruals	**4,681,212**	1,883,805	–	–
Player liabilities	**365,373**	338,825	–	–
Loans and borrowings	**–**	–	–	–
Deferred and contingent consideration	**3,135,356**	7,465,499	–	–

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.

As of 31 December 2016 the Group's net exposure to foreign exchange risk was as follows:

Net foreign currency financial assets/(liabilities)	Sterling 2016 £	Sterling 2015 £	US Dollar 2016 £	US Dollar 2015 £	Other 2016 £	Other 2015 £
Sterling	–	–	–	–	–	–
US Dollar	**(2,706,802)**	(4,225,242)	–	–	**41,322**	20,054
Other	**(3,881)**	2,456	–	–	–	–
Total	**(2,710,683)**	(4,222,786)	–	–	**41,322**	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 £542,137 (2015: £844,557). A 20% weakening in the exchange rate would, on same basis decrease loss after tax and increase net assets by £542,137 (2015: £844,557).

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 2016	Within 1 year £	1–2 years £	Over 2 years £
Trade and other payables	**2,012,196**	–	–
Accruals	**4,681,212**	–	–
Player liabilities	**365,373**	–	–
Deferred consideration	**3,135,356**	–	–
Total	**10,194,137**	–	–

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**	–

Credit risk

At 31 December 2016, the analysis of trade and other receivables that were past due but no impaired is as follows:

	Current 0-30 days* £	Between 30 and 60 days £	Between 61 and 90 days £	Over 91 days £
Trade and other receivables	1,887,870	407,374	251,210	189,585
Allowance for doubtful debts	–	–	–	(1,478)
At 31 December 2016	**1,887,870**	**407,374**	**251,210**	**188,107**
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**

* not past due.

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.

	2016			2015		
	Level 1 £	Level 2 £	Level 3 £	Level 1 £	Level 2 £	Level 3 £
Contingent consideration (Note 26)	–	–	–	–	–	2,400,000

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 managements best estimate of the amounts ultimately to be settled, based on probability settlement. 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

	2016 Number	2016 £	2015 Number	2015 £
Ordinary shares of 10 pence each	**274,133,292**	**27,413,329**	249,208,292	24,920,829

On 2 March 2016, 7,625,000 shares were issued at £0.20 per share for a total consideration of £1,525,000.

On 9 June 2016, 4,800,000 shares were issued at £0.25 per share to the previous shareholders of Blueburra Holdings Limited to satisfy the final £1,200,000 share element of vendor consideration.

On 2 September 2016, 12,500,000 shares were issued at £0.20 per share for a total consideration of £2,500,000.

Movements in share capital

	Number	£
At 1 January 2015	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**
Ordinary shares issued for cash consideration	20,125,000	2,012,500
Ordinary shares issued in settling the Blueburra Holdings Limited contingent consideration	4,800,000	480,000
At 31 December 2016	**274,133,292**	**27,413,329**

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:

	2016 £	2015 £
Not later than one year	**293,107**	227,125
Later than one year and not later than five years	**833,390**	285,959
Later than five years	**–**	–
	1,126,497	513,084

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

24. Share-based payment (continued)

Option scheme	**2016 EMI Option**	**2016 Unapproved Options**	2015 EMI Option	2015 Unapproved Options
Equity-settled				
Option pricing model used	**Black-Scholes**	**Black-Scholes**	Black-Scholes	Black-Scholes
Weighted average share price at grant date (in pence)	**20**	**20**	25	25
Exercise price (in pence)	**20**	**20**	25-33	24.75
Expected life (years)	**6.5**	**6.5**	6.5	6.5
Risk free rate	**0.13%**	**0.13%**	0.32-0.55%	0.50%
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 £993,349 (2015: £673,730).

	Number	Weighted average exercise price (pence)
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
Number of options outstanding at 31 December 2015	**48,814,391**	**11.23**
Granted during the year	2,638,696	20.00
Forfeited during the year	(2,594,505)	26.25
Number of options outstanding at 31 December 2016	**48,858,582**	**10.91**
Exercisable at 31 December 2016	**13,846,148**	**0.01**

Options to subscribe under various schemes, including those noted in Directors' interests in Note 8, are shown in the table below:

	Date granted	Exercise price (pence)	Exercisable between	**2016 Number of shares**	2015 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	31 July 2015 to 31 July 2023	**1,538,460**	1,538,460
Approved	2 April 2014	23	1 April 2017 to 1 April 2024	**4,793,096**	5,455,418
Unapproved	17 June 2014	23	16 June 2016 to 16 June 2024	**750,000**	750,000
Approved	17 June 2014	28.88	16 June 2017 to 16 June 2024	**467,391**	597,826
Approved	19 February 2015	33	19 February 2018 to 19 February 2025	**617,929**	1,121,970
Approved	15 October 2015	25.13	15 October 2018 to 15 October 2025	**9,025,000**	10,250,000
Approved	10 November 2015	25	10 November 2018 to 10 November 2025	**2,901,673**	2,946,880
Approved	28 July 2016	20	28 July 2018 to 28 July 2026	**2,326,196**	–
Unapproved	28 July 2016	20	28 July 2019 to 28 July 2026	**285,000**	–
				48,858,582	48,814,391

25. Business combinations during the year

Acquisition of Hullabu Inc

On 22 July 2016, Blastworks Inc acquired 62.5% of the share capital of Hullabu Inc a company that develops and publishes social games. Hullabu Inc in conjunction with Blastworks Inc, developed, published and marketed the Hidden Artefacts game, the acquisition of Hullabu Inc is expected to expedite the development and growth of Hidden Artefacts. Details of the fair value of identifiable assets and liabilities acquired and purchase consideration and goodwill are as follows:

	Book value £	Adjustment £	Fair value £
Software	–	217,216	217,216
Trade and other receivables	378,344	–	378,344
Cash	18,759	–	18,759
Trade and other payables	(2,516)	(127,114)	(129,630)
Total net assets	**394,587**	**90,102**	**484,689**
Less: Non-controlling interest at fair value			**(181,758)**
Total attributable net assets			**302,931**

	£
Deferred consideration – Loan note	378,344
Total consideration	**378,344**
Goodwill arising on acquisition (Note 15)	**75,413**

The existing shareholders of Hullabu Inc, issued new shares equating to 62.5% of the overall share capital of Hullabu Inc in exchange for a loan note of $500,000. The loan is expected to be repaid monthly over a twelve-month period.

Goodwill recognised in the acquisition of Hullabu Inc relates to the presence of certain intangible assets such as an experienced workforce, which do not qualify for separate recognition. Prior to acquisition for the period 1 January 2016 to 21 July 2016, the revenue generated was $111,123 and loss after tax was $34,670. Since acquisition, Hullabu Inc generated $124,285 in revenue and loss after tax of $109,604.

26. Business combinations completed in prior periods

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 & Mobile Freemium portfolio games and publishing network; Slingo Brand & Patents; certain game domains including Sudoku.com and Mahjong.com; an intellectual property 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
Intellectual property	–	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 15)	**4,300,671**

Deferred consideration at acquisition date	4,705,682
Unwinding of discount on deferred consideration (Note 11)	86,683
FX movement	273,134
Contingent 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 twelve month following the acquisition date and a further $4,000,000 twenty-four 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.

27. Related party transactions

Atul Bali was appointed as an advisor of Gamerail Entertainment LLC, a social lottery gaming company. During the year, Blastworks, Inc. entered into a platform and game licensing agreement with Gamerail Entertainment LLC to provide platform development, operational and marketing services. During the year, Blastworks, Inc. provided platform development services to the value of $256,089 and at 31 December 2016, the balance owed to Blastworks, Inc. was $206,089.

Atul Bali is an advisor to Instant Win Gaming. In April 2016, Instant Win Gaming entered into a agreement with Bear Group Limited to supply Instant Win Games on its online gaming websites. During the year, the total revenue share payable by Bear Group Limited for the supply of game content totalled £55,221, £6,679 was owed at 31 December 2016. In addition, Instant Win Gaming has entered into a licensing agreement with Blastworks Limited for the Slingo Brand. Instant Win Game licensed the Slingo Brand to create and distribute Slingo Branded Instant Win Games. During the year, the total license fees were £4,063 payable at 31 December 2016.

Jim Ryan is a non-executive Director of the Company and the CEO of Pala Interactive. On 22 March 2016, Pala Interactive launched a real-money online bingo site in New Jersey. The Bingo software is provided by AlchemyBet Limited on a revenue share basis. Pala Interactive paid Gaming Realms an royalty advance to the value of $16,667 which is re-coupable on future royalties due. No other transactions were made in the year.

During the year £275,000 (2015: £200,000) of consulting fees were paid to Dawnglen Finance Limited, a company controlled by Michael Buckley. No amounts were owed at year end.

The details of key management compensation are set out in Note 7.

28. Subsidiaries

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

Name	Registered Office	Country of Incorporation	Principal activity	Proportion held by Parent Company	Proportion held by Group
Quickthink Digital Limited (formerly Bingo Realms Limited)	1 Valentine Place, London, SE1 8QH	UK	Marketing services	100%	100%
Blastworks Limited	1 Valentine Place, London, SE1 8QH	UK	IP owner	90.66%	100%
AlchemyBet Limited	1 Valentine Place, London, SE1 8QH	UK	Software Developer	88.85%	100%
Bear Group Limited	Inchalla,Le Val, Alderney GY9 3UL	Alderney	Real money gaming operator	100%	100%
Blueburra Holdings Limited	49 Victoria Street, Douglas, Isle of Man, IM1 2LD	Isle of Man	Marketing services	100%	100%
Digital Blue Limited	49 Victoria Street Douglas, Isle of Man, IM1 2LD	Isle of Man	Marketing services	0%	100%
Blastworks Inc	300 Deschutes Way SW, Tumwater, WA 98501	USA	Social gaming operator	100%	100%
Backstage Technologies Inc	808 Douglas Street, Victoria BC, V8W 2B6	Canada	Software Developer	100%	100%
Hullabu Inc	848 N Rainbow Blvd, Las Vegas, NV, 89101	USA	IP owner	0%	62.5%
Blastmedia LLC	Prospekt Masherova 6a,Brest, Belarus, 224000	Belarus	Software Developer	0%	62.5%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

28. Subsidiaries (continued)

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

Name	Registered Office	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	Vordergasse 53	Switzerland	In liquidation	0%	100%
PDX Public Health and Safety AG	8200 Schaffhausen	Switzerland	In liquidation	0%	100%
BFX Solutions AG		Switzerland	In liquidation	0%	100%
DDX Solutions AG		Switzerland	In liquidation	0%	100%

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	31 December 2016 £	31 December 2015 £
Fixed assets			
Investment in subsidiary undertakings	2	**21,277,593**	23,012,004
Tangible assets		**214,015**	58,440
Intangible assets		**3,416**	–
Total fixed assets		**21,495,024**	23,070,444
Current assets			
Debtors: amounts falling due within one year	3	**18,918,168**	23,967,669
Debtors: amounts falling due after more than one year		**120,000**	120,000
Cash and cash equivalents		**94,090**	117,164
Total current assets		**19,132,258**	24,204,833
Creditors: amounts falling due within one year	4	**3,440,386**	6,511,705
Net current assets		**15,691,872**	17,693,128
Total assets less current liabilities		**37,186,896**	40,763,572
Creditors: amounts falling due after more than one year	4	–	2,474,533
Net assets		**37,186,896**	38,289,039
Equity			
Share capital	5	**27,413,329**	24,920,829
Share premium		**87,815,455**	85,127,955
Merger reserve		**2,683,702**	2,683,702
Retained earnings		**(80,725,590)**	(74,443,447)
Total equity		**37,186,896**	38,289,039

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 £7,275,492 (2015: £3,283,123). The financial statements on pages 51 to 54 were approved and authorised for issue by the Board of Directors on 26 April 2017 and were signed on its behalf by:

PATRICK SOUTHON
Chief Executive Officer

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Share capital £	Share premium £	Merger reserve £	Retained earnings £	Total equity £
1 January 2015	**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**
Loss for the year	–	–	–	(7,275,492)	(7,275,492)
Shares issued as part of the consideration in a business combination	480,000	720,000	–	–	1,200,000
Shares issued as part of the capital raising	2,012,500	2,012,500	–	–	4,025,000
Cost of issue of Ordinary Share capital	–	(45,000)	–	–	(45,000)
Share-based payment on share options	–	–	–	993,349	993,349
31 December 2016	**27,413,329**	**87,815,455**	**2,683,702**	**(80,725,590)**	**37,186,896**

The notes on pages 51 to 54 form part of these financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. Principal accounting policies

These financial statements present the results of Gaming Realms plc for the year ended 31 December 2016.

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 accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2016.

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.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

1. Principal accounting policies (continued)

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.

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 January 2015	21,407,847
Additions	1,604,157
At 31 December 2015	23,012,004
Additions	540,000
Disposals	(2,274,411)
At 31 December 2016	**21,277,593**

Disposals during the year relates to the sale of the digital agency business and the entity, Quickthink Media Limited to Ayima Limited. In exchange for the disposal, the company acquired 10% investment in Ayima Limited. Refer to note 5 of the consolidated financial statements for further details.

Details of these are shown below:

Name	Country of Incorporation	Principal activity	Proportion held by Parent Company	Proportion held by Group
Quickthink Digital Limited (formerly Bingo Realms Limited)	UK	Marketing services	100%	100%
Blastworks Limited	UK	IP owner	90.66%	100%
AlchemyBet Limited	UK	Software Developer	88.85%	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%
Hullabu Inc	USA	IP owner	0%	62.5%
Blastmedia LLC	Belarus	Software Developer	0%	62.5%

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%

3. Debtors

	2016 £	2015 £
Amounts due from Group companies	**18,778,182**	23,703,521
Other debtors	**42,037**	180,306
Prepayments and accrued income	**97,949**	83,842
	18,918,168	23,967,669

4. Creditors

	2016 £	2015 £
Creditors: amounts falling due within one year		
Amounts due to Group companies	–	1,278,671
Trade creditors	**82,026**	90,978
Other creditors	**42,229**	58,507
Accruals and deferred income	**180,775**	92,583
Deferred and contingent consideration	**3,135,356**	4,990,966
	3,440,386	6,511,705

	2016 £	2015 £
Creditors: amounts falling due after more than one year		
Deferred and contingent consideration	–	2,474,533
	–	2,474,533

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

5. Called up share capital

Allotted, called up and fully paid

	2016 £	2015 £
274,133,292 (2015: 249,208,292) ordinary shares of 10 pence each	**27,413,329**	24,920,829

Allotted and fully paid

	£
As at 1 January 2015	24,920,829
Issued during the year	2,492,500
As at 31 December 2016	**27,413,329**

On 2 March 2016, 7,625,000 shares were issued at £0.20 per share.

On 9 June 2016, 4,800,000 shares were issued at £0.25 per share to the previous shareholders of Blueburra Holdings Limited.

On 2 September 2016, 12,500,000 shares were issued at £0.20 per share with the costs of £45,000 associated with the share issue.

6. Employee information

The Company had a monthly average of ten (2015: ten) employees during the year.

The employee costs for the Company were £1,068,345 (2015: £791,967).

Details of Directors' remuneration can be found in Note 8 of the consolidated financial statements.

7. 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:

	2016 £	2015 £
Not later than one year	**125,000**	125,000
Later than one year and not later than five years	**160,959**	285,959
Later than five years	**–**	–
	285,959	410,959

8. Related party transactions

During the year £275,000 (2015: £200,000) of consulting fees were paid to Dawnglen Finance Limited, a company controlled by Michael Buckley.

The details of key management compensation are set out in Note 7.

COMPANY INFORMATION

Directors

Michael Buckley, Chairman

Atul Bali, Deputy 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 advisors

Peel Hunt, 120 London Wall, London, EC2Y 5ET

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

04175777

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