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Nektan PLC
25 March 2015

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NEKTAN plc
("Nektan", "the Company" or "the Group")

Interim Results for the six months ended 31 December 2014

Nektan plc, the international B2B mobile gaming platform provider, today announces its maiden interim results for the six months ended 31 December 2014 ("the Period").

Period highlights

- Successful IPO on AIM on 3 November 2014 raising £4.1m (before expenses)
- Net gaming revenue from real money gaming £115k (H1 2014: nil)
- US joint venture agreement with Spin Games LLC announced in November 2014
- LeoVegas mobile games deal announced in December 2014
- Continued investment in the Evolve platform, software and games development plus investment in the US joint venture with Spin Games totalling £1.5m in the period

Post Period end highlights

- City A.M. mobile casino partnership live
- Appointment of David Gosen as Chief Executive Officer
- First freemium bingo partner Housey House launched
- Landmark agreement with News UK to provide mobile casino games to The Sun
- US product live in one casino with 8 further contracts or letters of intent signed
- Contract with Channel 4 for 'Come Dine With Me' mobile freemium bingo game
- Real money gaming agreement with established casino brand 'Kerching'
- Additional capital of £1.2 million secured to underpin near term growth

Financial summary:

	Unaudited Six months ended 31 December 2014 £'000	**Unaudited Six months ended 31 December 2013 £'000**
Total revenue	250	1,326
Adjusted EBITDA*	(2,360)	(1,179)
Loss before taxation	(3,916)	(3,128)
Adjusted loss before taxation**	(2,928)	(3,128)
Basic loss per share (£)	(0.20)	(0.21)
Diluted loss per share (£)	(0.20)	(0.21)

**Adjusted EBITDA excludes listing costs, exchange differences, and non-cash charges relating to share based payments*
***Adjusted loss before taxation excludes share based payment expense and listing costs*

Gary Shaw, Executive Chairman of Nektan, said:
"This has been a transformational six months for Nektan. As well as the Group's successful admission to AIM in November 2014, we have delivered a number of significant operational milestones including the launch of our first white label partners. We have further strengthened our dynamic management team with the appointment of a new Chief Executive Officer, David Gosen, who will, alongside the rest of our talented team, drive the business further forward.

"Underpinned by our exceptional end-to-end mobile platform, Nektan isin a very strong position to exploit the exciting growth opportunities in the fastest-growing segment of online gaming in Europe as well as significant opportunities in the US. Post the period end, we signed a major contract with News UK to power Sun Play, an innovative mobile gaming offering aimed at The Sun's six million daily readers and we are live in-venue in one casino in the US.

"Nektan has market-leading technology, a dedicated and skilled team and strong commercial momentum and the Board remains confident of the delivery of the Company's strategy."

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About Nektan:

Nektan, the international B2B mobile gaming platform provider, is a developer and operator of games in the regulated, interactive real money gaming and freemium gaming spaces, delivering white label implementations to large commercial organisations that have established online audiences.

Formed in 2011 and operating under a full Remote Gambling Licence issued by the Gibraltar Licensing Authority. The company maintains sales and customer support operations in its two primary geographic targets, Europe and North America, from offices in Gibraltar, London, Reno and Las Vegas.

Nektan has developed a proprietary end-to-end platform, Evolve, which is designed to support mobile and desktop gaming. The company's white label offering simplifies the route to mobile gaming revenues for its target commercial partners: managing the full customer experience and back-office operations, allowing each partner to focus on marketing the product to its consumers.

Further information on the Group is available at www.nektan.com

Chairman's statement

I am pleased to report that Nektan has continued to build excellent operational momentum since the launch of *Evolve*, the Group's full end-to-end gaming platform, in April 2014, with a number of significant operational milestones achieved during the period. The Group's first white label real money gaming ("RMG") casino partner was launched in July 2014, and that number has quickly grown to 10 partners using our platform alongside our two house brands as at the period end. The Group's first content licensing partner, LeoVegas, has been live since December 2014 and Nektan's first freemium bingo white label partner, Housey House, was launched in January 2015.

Mobile gaming is the most significant growth driver in the global online gaming market and is expected to generate more than €19 billion of gross win by 2018 (H2 Gambling Capital). Existing online gaming operators as well as media operators with large captive audiences are seeking new ways to capitalise on consumers' shift towards mobile devices by providing customers with innovative content and an unrivalled user experience. Nektan, underpinned by its proprietary mobile focussed platform and full end-to-end solution, offering everything from product development to payments and customer service, provides a highly compelling and market-leading B2B solution.

Leading platform and growth opportunities

Over the past 24 months, we have invested heavily in our Evolve gaming platform and innovative games to create a best-in-class white label mobile gaming product. The Evolve platform can be customised to suit the specific needs of our partners to deliver unique gaming experiences on smartphone, tablet and online.

Our flotation on AIM in November 2014 represented a key step-change in Nektan's development, providing the Group the profile to accelerate its growth plans and ability to access capital as commercial opportunities arise. Our strategy is to focus on two major market segments, casino and bingo, and to derive revenue from our innovative content and games via the offer of RMG, freemium and content licensing. In order to achieve as broad a distribution as possible, we have established four routes to market: white label, Nektan house brands, content licensing and joint ventures.

Operational momentum

In November 2014 the Group signed a joint venture agreement with Spin Games LLC ("Spin Games") to target the significant opportunities we see in the US land-based casino market through in-venue mobile technology. The joint venture, ReSpin, offers casino operators an innovative and capital efficient way of refreshing their customer offer and increasing revenue from end-of-life cabinets whilst providing players new and innovative content to play which includes functionality on mobile devices. We are delighted with the significant interest received so far, with nine land-based casinos either contracted or with letters of intent for delivery of in-venue mobile gaming in the second half of the financial year, and our solution already live in one casino as of January 2015 delivering promising results.

I am also delighted that in February 2015 News UK chose Nektan as its gaming partner for The Sun, to create and operate Sun Play, an innovative new gaming product due to launch in the UK in Q2 2015. Nektan was contracted following a rigorous selection process, and this is testimony to the quality of our B2B offer. We are looking forward to working closely with the team at The Sun to launch *Sun Play*, which combines free-to-play skill games with a suite of real money games that are designed to be played on the go by the readers of The Sun newspaper's print and online formats.

The Company identified at the time of its IPO in November 2014 the potential requirement for additional capital when the full scale of the opportunities available to the Company was known. Since then, the Company has focussed on larger commercial opportunities in the US and Europe. In particular, the listing has enhanced the Company's profile and increased its credibility with key partners. Encouraging progress has been made, notably with the ReSpin US joint venture and the landmark Sun Play contract. The necessary investment to secure and progress these and other projects was prioritised over smaller opportunities and the Board expects these projects to significantly underpin a material increase in trading during next 12 months. To support these larger projects and to ensure that momentum can be maintained, the Directors have secured a loan of £1.2 million from DTL, a 12.8 per cent. shareholder in the Company (as at the date of this announcement) and a related party.

Winning team

I am extremely pleased that we have further strengthened our management team to support Nektan's future growth plans. In January we were delighted to welcome David Gosen as our new Chief Executive Officer following the appointment of David Sparks as Chief Financial Officer in September last year. Both bring with them a wealth of experience of leading and growing businesses across the mobile, online media, gaming and entertainment sectors. I am confident that we have one of the most talented and dynamic management teams in the industry, together with more than 150 years' industry experience, to drive Nektan forward.

On behalf of the Board I would like to thank all my colleagues for their exceptional hard work and dedication and to all those who helped us achieve our successful admission to AIM. In particular, we appreciate the support of our shareholders, both old and new, and we look forward to sharing our future success with them.

Outlook

In Europe, Nektan is building a business in the fastest growing segment of the online gaming market and in the US the Group, alongside our JV partner, we are now live with real money gaming mobile technology in the estimated $3 billion a year potential market. In both markets, supported by our leading end-to-end platform, Evolve, the opportunities are substantial and there is significant interest in Nektan's solutions. We have secured additional investment and are carefully formulating our plans for growth and the associated funding required. Nektan has market-leading technology, a dedicated and skilled team and strong commercial momentum and the Board remains confident of the delivery of the Company's strategy.

Gary Shaw
Executive Chairman

Chief Executive Officer's statement

Operating summary

I am delighted to have joined Nektan at such an exciting time for the Group. The Company has a clear growth strategy and significant market opportunities underpinned by our market-leading proprietary technology platform and dynamic team.

The first half of the financial year was a significant and rewarding period for Nektan. We generated considerable momentum across the core pillars of our strategy in both our target European and US markets and we continue to see significant demand and opportunities for our technology-led mobile gaming proposition.

In Europe, Nektan is live with ten white label partners, two house brands, two content licensing aggregators and a freemium bingo partner. The white label partners added to our platform during the period include Winzino, Jackpot Mobile, Red Hot Goldrush, Coin Falls, Casino Mobile, Northern Lights and Uni Casino. LeoVegas was added as the Group's first content licensing partner in December and Housey House as a freemium bingo partner post the period end.

In addition to live partners, the commercial pipeline remains deep, reflecting the strength of the solutions Nektan offers in the fast-growing mobile gaming market. The Group has a number of partners in advanced discussions across all channels to market including a further five contracted partners for RMG casino, three for freemium bingo, including Channel 4, and five new customers contracted to license content and we expect a number of these contracted partners to go live within the remainder of the financial year.

As well as adding new customers, the key operating performance indicators for our real money gaming business continue to demonstrate very positive trends with double digit growth in both the number of real money players and cash stakes over the period.

In the US, the ReSpin joint venture with Spin Games, signed on 17 November 2014, has generated significant partner interest with nine land-based casinos either contracted or with letters of intent for delivery of in-venue mobile enabled gaming in the first half of 2015, with one of those casinos already live in January 2015 with promising initial results. ReSpin is an early, if not first, mover in this space and our casino partners are excited to see the scale of impact that ReSpin's mobile technology can have on the revenue generated from their end-of-life slot cabinets.

Technology and product leadership

Evolve is the Group's proven proprietary mobile gaming platform, which has been developed to be fully scalable for the operation of mobile RMG gaming for white label partners and house brands, and provides the functions essential to the effective management of each white label implementation.

The platform has been designed to offer industry leading speed to market for partners, be adaptable to brand look and feel and to support the mobile delivery of the games to all internet-enabled devices.

The casino games Nektan develops are visually-rich, contemporary and engaging. They are based on popular and well-recognised formats and are developed in-house as both HTML5 and native implementations specifically for mobile devices. Our games can be run in a browser on any device and have touch-responsive functionality and sound effects to provide customers with the most enjoyable gaming experience across all screens. In an industry where fresh and entertaining content is critical, the Group is constantly developing new and innovative slot themes, which can include topical or personalised themes, and entertaining pay-lines.

Nektan's freemium mobile bingo offering is a multi-player game with touch-responsive features and an optimised user interface. Our game features rich graphics and traditional bingo voice calling with users able play up to six cards at once.

Business model and strategy

Nektan is focused on two gaming segments: casino and bingo. Three simple business models drive revenues from Nektan's proprietary games: real money gaming (RMG), freemium (initial free play with in-game purchases) and content licensing to partners. To ensure broad content distribution, Nektan has established four routes to market:

- **White label:** White label sits at the heart of Nektan's B2B business model, targeting commercial organisations that have significant and established online audiences. The partner is responsible for marketing to its audience, while Nektan focuses on the delivery of a high quality user experience, encompassing the user interface, game play and bonusing and promotions. This approach allows the partner to benefit from an additional means of monetising its online audience without the operational challenges of running a gaming proposition that distracts from its core business. Nektan operates a full end-to-end solution - from gaming content to back office operations - on behalf of these partners, with RMG and freemium white label implementations for both the casino and bingo segments. Nektan retains a share of the revenue generated, the size of which is dependent on the scale of the partner and the commercial value that access to its online audience is deemed to deliver.
- **House brands:** Nektan's house brands, Chomp Casino and Sapphire Rooms, fulfil two key functions for the Group. The first is to provide branded solutions to partners that do not wish to use their own brand or identity for mobile gaming. Secondly, the house brands allow Nektan to test, learn, gather direct player data and generate incremental revenues with a B2C proposition marketed direct to the customer. Where Nektan undertakes the marketing, the company retains all the net gaming revenue generated. If the customers have been generated by an affiliate, the affiliate receives a commission on all net gaming revenues generated by the players associated with the affiliate.
- **Content licensing:** Nektan offers its leading gaming content to third party gaming operators, using our Remote Gaming Server, to add to the operators' own gaming portfolio. The operator pays Nektan a monthly royalty fee based on a percentage of gross gaming revenue.
- **Joint ventures**: Nektan currently has two joint venture partners to enable rapid expansion into the US across land based casinos and the freemium bingo market. The Group's Broadcast Gaming joint venture generates revenue for Nektan in much the same way as a typical white label partner does and is focussed on selling the freemium bingo offering to large online audiences. The ReSpin joint venture has been established to target the land based US casino market with in-venue mobile technology and operates a per unit leasing model based on a fixed dollar amount per unit per day. The first two products developed by the JV, XtraSpin and Respin, are designed to increase the yield by using mobile technology to add a "bolt-on" module or by refurbishing the machines from the estimated 40% of slot machines in the US casino market that are no longer supported by manufacturers.

Financial review

The Group has seen material growth in all RMG casino key performance measures in H1 2015, since the launch of the house RMG casino brand, Chomp Casino, in April 2014. RMG casino cash bets in the six months to end December 2014 were £3.8m (H1 2014: nil) generating a net gaming revenue of £115k (H1 2014: nil) from a total of £300k in player cash deposits (H1 2014: nil).

Revenue from content licensing was £21k (H1 2014: £1.3m) which was generated from a legacy revenue share agreement with one third party operator and from the mobile games deal with LeoVegas. The prior year content licensing revenue was generated in respect of revenue share and other services provided by Nektan UK Limited (formally Mfuse Limited) to third party operators in the sports betting market that was terminated in order for the Company to focus on its core strategy and the development of the Evolve platform.

The marketing, partner and affiliate costs were £310k in the 6 month period (H1 2014: £29k) of which £270k related to spend on the two casino RMG house brands, Chomp Casino and Sapphire Rooms.

Administrative expenses, excluding listing costs, were reduced by 38% to £2,569k (H1 2014: £4,153k). The Company incurred £983k in costs in relation to the admission of Nektan plc to the Alternative Investment Market of the London Stock Exchange during the period (H1 2014: nil).

The operating loss for the period was £3.7m (H1 2014: £3.1m). Adjusted EBITDA, which excludes listing costs, exchange differences, and non-cash charges relating to share based payments was a loss of £2.4m (H1 2014: £1.2m loss).

During the period Nektan contributed £236k to the Broadcast Gaming joint venture for the development of the freemium gaming US mobile opportunity, which has been included within loans to joint ventures, and £493k to the ReSpin joint venture for the development of in-venue class II mobile gaming product. The initial contribution to ReSpin of £315k (USD 500k) is included in investments and the further £178k in respect of operating costs is included within loans to joint ventures at the period end.

As mentioned above, the Company entered into a loan agreement for £1.2 million with Disruptive Tech Limited on 24 March 2015. The proceeds will be used to meet the working capital requirements of the Company over the next three months. The key terms of the loan are as follows:

- amount: £1,200,000 with a maximum of £600,000 to be drawn down in any one calendar month;
- term: the period to 30 April 2017 or, if earlier, until all principal and interest has been repaid in full;
- interest: 10 per cent. per annum;
- facility fee: £25,000 payable on termination;
- repayment: loan principal amount, together with all accrued interest due, payable in full on expiry of the term. The Company may prepay all or any portion of the principal and any accrued interest at any time without penalty; and
- the loan is unsecured.

Disruptive Tech Limited has a beneficial interest in 12.8 per cent. of the issued share capital of the Company, and is consequently a related party of Nektan for the purpose of AIM Rule 13. The Company's independent directors, being those not involved in the Loans as a related party, having consulted with the Company's nominated adviser, consider that the terms of the Loans are fair and reasonable insofar as its shareholders are concerned.

In addition as planned, the Company intends to raise further capital to meet its future funding requirements beyond June 2015, and to strengthen the working capital position so that it has sufficient funding to get to cash flow breakeven. Whilst there can be no certainty that additional capital will be forthcoming on terms which are acceptable, the Company is in advanced negotiations regarding the issue of convertible securities and ordinary shares. In the event that the Company is unable to secure additional funding, the Directors would have to refocus the investment plans which could reduce the longer-term prospects of the Company. However, the Board is encouraged by the level of investor interest and in particular the Board expects some of Nektan's key shareholders to provide further support to the Company.

David Gosen
Chief Executive Officer

NEKTAN PLC

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 December 2014

	Notes	Unaudited 6 Months to 31 December 2014 £'000	Unaudited 6 Months to 31 December 2013 £'000	Audited Year to 30 June 2014 £'000
Revenue		250	1,326	1,865
Cost of sales		(87)	(48)	(132)
Gross profit		163	1,278	1,733
Marketing, partner and affiliate costs		(310)	(29)	(169)
Administrative expenses		(3,536)	(4,378)	(7,430)
Other income		-	-	140
Adjusted EBITDA		(2,360)	(1,179)	(3,474)
Listing costs		(983)	-	-
Depreciation		(135)	(84)	(162)
Amortisation of intangible assets		(216)	(1,629)	(1,832)
Foreign exchange		16	(12)	(3)
Share based payment charges		(5)	(225)	(255)
Operating loss		(3,683)	(3,129)	(5,726)
Finance income		-	1	1
Finance expense		(30)	-	(6)
Share of loss of joint ventures		(203)	-	-
Loss before taxation		(3,916)	(3,128)	(5,731)
Tax credit		15	349	310
Loss for the period from continuing operations		(3,901)	(2,779)	(5,421)
Other comprehensive income for the period				
Exchange differences arising on translation of foreign operations which may be reclassified to profit or loss		(7)	6	3
Total comprehensive loss for the period		(3,908)	(2,773)	(5,418)
Basic and diluted loss per share				
Basic (£)	**5**	(0.20)	(0.21)	(0.35)
Diluted (£)	**5**	(0.20)	(0.21)	(0.35)

NEKTAN PLC
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the period ended 31 December 2014

	Unaudited 6 Months to 31 December	Unaudited 6 Months to 31 December	Audited Year to 30 June 2014

	Notes	2014 £'000	2013 £'000	£'000
Non-current assets				
Intangible assets		1,658	616	924
Property, plant and equipment		203	343	315
Investments	**10**	112	-	-
Goodwill		919	919	919
		2,892	1,878	2,158
Current assets				
Trade and other receivables	**7**	1,224	540	857
Cash and cash equivalents	**8**	1,511	930	877
		2,735	1,470	1,734
Total assets		5,627	3,348	3,892
Non-current liabilities				
Deferred tax		29	76	44
		29	76	44
Current liabilities				
Trade and other payables	**9**	625	1,308	811
		625	1,308	811
Total liabilities		654	1,384	855
Net assets		4,973	1,964	3,037
Equity attributable to equity holder:				
Share capital	**11**	214	-	-
Share premium		20,449	11,136	14,824
Merger reserve		(2)	(2)	(2)
Capital contribution reserve		3,306	3,306	3,306
Share option reserve		260	225	255
Foreign exchange reserve		(67)	(57)	(60)
Retained earnings		(19,187)	(12,644)	(15,286)
Total equity		4,973	1,964	3,037

NEKTAN PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 31 December 2014

	Share capital £'000	Share premium £'000	Shares to be issued reserve £'000	Share option reserve £'000	Capital contribution reserve £'000	Merger reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total equity £'000
At 1 July 2013	-	2	10,578	-	3,306	(2)	(63)	(9,865)	3,956
Loss for the period	-	-	-	-	-	-	-	(2,779)	(2,779)
Other comprehensive income	-	-	-	-	-	-	6	-	6
Issue of shares	-	10,578	(10,578)	-	-	-	-	-	-
Shares subscribed for (net of costs)	-	556	-	-	-	-	-	-	556
Share based payments	-	-	-	225	-	-	-	-	225
At 31 December 2013	-	11,136	-	225	3,306	(2)	(57)	(12,644)	1,964
Loss for the period	-	-	-	-	-	-	-	(2,642)	(2,642)
Other comprehensive income	-	-	-	-	-	-	(3)	-	(3)
Shares subscribed for (net of costs)	-	3,688	-	-	-	-	-	-	3,688
Share based payments	-	-	-	30	-	-	-	-	30
At 30 June 2014	-	14,824	-	30	3,306	(2)	(60)	(15,286)	3,037
Loss for the period	-	-	-	-	-	-	-	(3,901)	(3,901)
Other comprehensive income	-	-	-	-	-	-	(7)	-	(7)
Shares subscribed for (net of costs)	214	5,625	-	-	-	-	-	-	5,839
Share based payments	-	-	-	5	-	-	-	-	5
At 31 December 2014	214	20,449	-	260	3,306	(2)	(67)	(19,187)	4,973

NEKTAN PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the period ended 31 December 2014

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

Share capital
Represents the nominal value of shares allotted, called up and fully paid.

Share premium
Represents the amount of subscribed for share capital in excess of nominal value.

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

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

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

Shares to be issued reserve
Represents the share subscriptions received by investors for shares issued in the following year.

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

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

NEKTAN PLC
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 31 December 2014

	Unaudited 6 Months to 31 December 2014 £'000	**Unaudited 6 Months to 31 December 2013 £'000**	**Audited Year to 30 June 2014 £'000**
Cash flow from operating activities			
Loss for the period/year before taxation	(3,916)	(3,129)	(5,731)
Adjustments for:			
Amortisation of intangible assets	216	1,629	1,832
Depreciation of property, plant and equipment	135	84	162
Share based payment expense	5	225	255
Finance expense	30	1	6
Finance income	-	-	(1)
Share of loss of joint ventures	203	-	-
Operating cash flow before movement in working capital	(3,327)	(1,190)	(3,477)
Decrease in trade and other receivables	42	1,671	1,439
Increase/(decrease) in trade and other payables	(186)	661	169
Cash generated from/(used) in operations	(3,471)	1,142	(1,869)
Taxation	(1)	-	-
Cash flow from investing activities			
Purchase of intangible fixed assets	(950)	(307)	(818)
Purchase of property, plant and equipment	(24)	(116)	(167)
Investments in joint ventures	(315)	-	-
Loans to joint ventures	(414)	-	(164)
Deferred and contingent consideration payments	-	(977)	(977)
Net cash used in investing activities	(1,703)	(1,400)	(2,126)
Cash flow from financing activities			
Interest paid	(30)	(1)	(6)
Interest received	-	-	1
Proceeds on subscription for shares (net of costs)	5,839	556	4,244
Net cash generated from financing activities	5,809	555	4,239
Net increase in cash and cash equivalents	634	297	244
Cash and cash equivalents at beginning of period	877	633	633
Cash and cash equivalents at end of period	1,511	930	877

1. General information

The unaudited condensed interim consolidated financial statements for the six months ended 31 December 2014, which were approved by the Board of Directors on 24 March 2015, do not comprise statutory accounts and should be read in conjunction with the Admission document which includes audited financial information for the year ended 30 June 2014, which does also not constitute statutory accounts.

2. Basis of preparation

The interim condensed consolidated financial statements for the six months ended 31 December 2014 have been prepared using accounting policies consistent with International Financial Reporting Standards as adopted by the EU (IFRS) and in accordance with IAS 34 *Interim Financial Reporting*, , and have been prepared on the basis of International Financial Reporting Standards ('IFRSs') and International Financial Reporting Interpretations Committee ('IFRIC') interpretations as adopted by the European Union that are effective for the year ending 30 June 2015.

In the current reporting period, the Group has adopted a number of revised Standards and Interpretations including IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities* However, none of these have had a material impact on the Group's reporting. In addition, the IASB has issued a number of IFRS and IFRIC amendments or interpretations. It is not expected that any of these will have a material impact on the Group.

The interim condensed consolidated financial statements for the six months ended 31 December 2014 have been prepared on a going concern basis. It is noted that the Company's ability to continue as a going concern for the next 12 months is dependent upon the Company obtaining additional equity or debt financing. The Directors have a high level of confidence of being able to raise the required funds given the advanced stage of negotiations, however there is no assurance that such financing will be obtained.

3. Accounting policies

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial information of the Company and entities controlled by the Company made up to 31 December 2014. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Entities included within the consolidation that have been acquired by the Company are accounted for using acquisition or merger accounting as appropriate.

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

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

In the consolidated financial statements, merged subsidiary undertakings are treated as if they had always been a member of the group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the company as consideration as if they have always been in issue. Any differences between the nominal value of the shares acquired by the company and those issued by the company to acquire them are taken to a separate merger reserve.

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

Where merger accounting is applied, the subsidiary undertaking is treated as if they had always been a member of the Group.

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

Foreign currencies

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

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

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

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

Revenue recognition

Revenue arises from the below sources:

Real money gaming

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

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

Game and platform development

Net revenue receivable from activities in respect of game and platform development comprises fees earned from development of games for customers for use on the Group's platforms and from the sale of platform software and related services.

Revenue in respect of game development and the sale of platform software is recognised when certification for the game has been obtained, delivery has occurred and the contract fee has been fixed, contractual or determinable and collectability is probable.

Services revenue principally relates to implementation services. Such services are generally separable from the other elements or arrangements. Revenue for such services is recognised over the period of delivery of these services. Where an element of the fee is contingent on the successful delivery of the implementation project, the revenue is not recognised until such time that it is probable that the requirements under that specific contract will be met.

Revenue share and other services

Net revenue receivable in respect of revenue share and other services comprises a percentage of the revenue generated by the contracting party from use of the Group's intellectual property in online gaming activities, and from fees charged for the services rendered. Net revenue is recognised in the accounting periods in which the gaming transactions occur or the services are rendered.

Cost of sales

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

Marketing, partner and affiliate costs

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

Other income

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

Goodwill

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

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

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

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives which is typically over a period of 3 years.

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

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

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

Intangible asset	***Useful economic life***	***Valuation method***
Developed software	3 years	Replacement cost
Contractual relationships	Term of contract	Discounted cashflows

Internally generated intangible asset (development costs)

Expenditure incurred on development activities including the Group's software development is capitalised only where the expenditure will lead to new or substantially improved products, the products are technically and commercially feasible and the Group has sufficient resources to complete development.

Capitalised development costs are amortised over three years. The amortisation expenses are included within administrative expenses in the consolidated statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

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

Property, plant and equipment

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

Fixtures, fittings and equipment	-	20 - 33% straight line
Office equipment	-	20 - 33% straight line
Computer equipment	-	33% straight line

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

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

Impairment of property, plant and equipment and internally generated assets

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

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

Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expired. Financial assets are either categorised as loans or receivables or available for sale. There are no assets classified as held-to-maturity or fair value through profit or loss. All financial liabilities are classified as amortised cost and no liabilities are classified as fair value through profit or loss (with the exception of contingent consideration).

Trade receivables

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

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

Cash and cash equivalents

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

Trade and other payables

Trade payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the 'effective interest rate' to the carrying amount of the liability.

Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

Current and deferred tax

Taxation represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

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

Deferred tax

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

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

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

Deferred tax is measured using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred tax asset or liability is realised or settled. Deferred tax is not discounted.

Leased assets

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

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

Share based payments

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

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

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

Adjusted EBITDA
The group defines Adjusted EBITDA as the operating result before depreciation, amortisation, listing costs, exchange differences, and non-cash charges relating to share based payments.

Joint Ventures

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

Critical accounting estimates

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

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

- Revenue recognition
- Intangible assets and impairment of goodwill
- Acquisition accounting and fair value of acquired assets and liabilities
- Share based payments

Restatement

The group has reclassified certain expenses within the statement of comprehensive income for the period ended 30 June 2014 to more accurately reflect the nature of the costs, this has had no impact on the loss for the period or the net asset position.

4. Segmental information

Information reported to the Group's Executive Chairman, the strategic chief operating decision-maker, for the purposes of resource allocation and assessment of the Group's segmental performance, is primarily focussed on the origination of the revenue stream. The Group's principal reportable segments under IFRS 8 are therefore as follows:

- Software development
- Content licensing and revenue share
- Real money gaming

Segment revenues and results
The following is an analysis of the Group's revenue and results by reportable segment:

Unaudited 6 months to 31 December 2014	Software development £'000	Content licensing and revenue share £'000	Real money gaming £'000	Total £'000
Net revenue	114	21	115	250
Cost of sales	-	-	(87)	(87)
Marketing partner and affiliate costs	-	-	(310)	(310)
Segment result	114	21	(282)	(147)
Administration expenses				(3,201)
Amortisation of intangible assets				(216)
Depreciation				(135)

Foreign exchange	16
Finance costs	(30)
Share of loss of joint ventures	(203)
Loss before taxation	(3,916)
Taxation	15
Loss for the period	(3,901)

4. Segmental information (continued)

Unaudited 6 months to 31 December 2013	**Software development £'000**	**Content licensing and revenue share £'000**	**Real money gaming £'000**	**Total £'000**
Net revenue	53	1,273	-	1,326
Cost of sales	-	(48)	-	(48)
Marketing partner and affiliate costs	-	(29)	-	(29)
Segment result	53	1,196	-	1,249
Administration expenses				(2,651)
Amortisation of intangible assets				(1,629)
Depreciation				(84)
Foreign exchange				(12)
Finance costs				(1)
Loss before taxation				(3,128)
Taxation				349
Loss for the period				(2,779)

Audited 12 months to 30 June 2014	**Software development £'000**	**Content licensing and revenue share £'000**	**Real money gaming £'000**	**Total £'000**
Net revenue	241	1,614	10	1,865
Cost of sales	-	-	(132)	(132)
Marketing partner and affiliate costs	-	-	(169)	(169)
Segment result	241	1,614	(291)	1,564
Administration expenses				(5,433)
Other income				140
Amortisation of intangible assets				(1,832)
Depreciation				(162)
Foreign exchange				(3)
Finance income				1
Finance costs				(6)
Loss before taxation				(5,731)
Taxation				310
Loss for the period				(5,421)

5. Loss per share

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

	Unaudited 6 Months to 31 December 2014	**Unaudited 6 Months to 31 December 2013**	**Audited Year to 30 June 2014**
Basic and diluted			
Loss after tax (£'000)	(3,908)	(2,779)	(5,421)
Weighted average number of shares	19,878,662	13,305,055	15,315,450
Weighted average loss per share (£)	(0.20)	(0.21)	(0.35)

The result for the six months ended 31 December 2014 as well as the other periods presented was a loss and therefore there was no difference between the basic and diluted loss per share.

6. Dividends

There were no dividends declared or paid in the period (period ending 31 December 2013: nil).

7. Trade and other receivables

	Unaudited 6 Months to 31 December 2014 £'000	Unaudited 6 Months to 31 December 2013 £'000	Audited Year to 30 June 2014 £'000
Trade receivables	-	352	392
Other receivables	367	47	151
Loan to joint ventures	578	-	164
Prepayments	279	141	150
	1,224	540	857

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

8. Cash and cash equivalents

Cash and cash equivalents includes amounts held in segregated accounts of £5,978 at 31 December 2014 to cover player balances.

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

9. Trade and other payables

	Unaudited 6 Months to 31 December 2014 £'000	Unaudited 6 Months to 31 December 2013 £'000	Audited Year to 30 June 2014 £'000
Amounts falling due within one year			
Trade payables	246	614	263
Other payables	145	420	123
Accruals	234	274	425
	625	1,308	811

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

10. Joint Ventures

During the period, the Group loaned a further £235,589 to Broadcast Gaming Limited, a company in which Nektan PLC is a joint venturer. The total balance as at 31 December 2014 was £399,380 (2013: £nil), which has been included within loans to joint ventures. No interest has been charged on this balance. The share of losses of the joint venture totalling £69,976 have not been recognised as they would reduce the investment below zero.

During the period, the Group became a joint venture partner in ReSpin Games LLC, providing an initial contribution of £315,226, which is included in investments. The share of losses of the joint venture totalling £203,140 have been deducted from the investment to leave a carrying value of £112,086. During the period, the Group loaned ReSpin Games LLC £178,456 in respect of covering operating costs. This amount is included within loans to joint ventures at the period end. No interest has been charged on this balance.

11. Share capital

	Ordinary Shares Number	Ordinary Shares £
Allotted, issued and fully paid		
At 30 June 2014	18,829,956	19
Issued during the year (i)	858,400	20
Rebasing of shares (ii)	19,688,356	196,884
Issued during the year (iii)	1,539,831	15,398
Issued during the year (iv)	211,864	2,119
At 31 December 2014	21,440,051	214,401

(i) 858,400 shares of £0.000001 were subscribed for at a premium of £2.36 during the period ended 31 December 2014, total consideration received being £2,025,824. Transaction costs relating to the issue were £21,169 and have been offset against the total consideration received within the share premium account.

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For the period ended 31 December 2014

(i) On 30 September 2014, by resolution of the members of the Company the sum of £196,863 being part of the share premium account was capitalised and the Directors were authorised to make a bonus issue of 196,863,871,644 Ordinary Shares to the members of the Company at the rate of 9,999 new shares for every 1 existing share held by them. Conditional upon the directors exercising their authority pursuant to this, the 196,863,871,644 Ordinary Shares were consolidated and divided into 19,688,356 new Ordinary Shares of £0.01 each.

(ii) 1,539,831 shares of £0.01 were subscribed for at a premium of £2.35 during the period ended 31 December 2014, total consideration received being £3,634,001. Transaction costs relating to the issue were £298,700 and have been offset against the total consideration received within the share premium account.

(iii) 211,864 shares of £0.01 were subscribed for at a premium of £2.35 during the period ended 31 December 2014, total consideration received being £499,999.

Authorised share capital

The authorised share capital of the Company is £1,000,000 divided into 100,000,000 Ordinary Shares of which 21,440,051 Ordinary Shares have been issued, credited as fully paid.

12. Related party transactions

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

During the period the Group received a loan from a shareholder totalling £760,000 which was subsequently converted to ordinary shares. Prior to conversion interest of £25,526 was charged.

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