

31 March 2016

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

**Interim Results for the six months ended 31 December 2015**

Nektan plc (AIM: NKTN), a leading international B2B mobile gaming platform and content provider, announces its results for the six months ended 31 December 2015.

**Period-End Summary:**

- The Group continues to see strong and consistent quarterly growth in Real Money Gaming (**RMG**) in Europe across all key performance indicators ("**KPIs**") in line with the trading update released on 1 February 2016.
- Strong action has been taken during January 2016 to reduce the ongoing monthly cost base by 45% £280,000 by April 2016, lowering the level of monthly NGR at which the Group will be EBITDA positive
- Nektan's US joint venture with Spin Games LLC, Respin LLC (**Respin**), continues to see considerable momentum in the US from its first mover advantage with 54 signed and pending contracts with tribal and commercial casino operators (H1 2014: nil)
- Launch of Nektan Marketing Services ("**NMS**") in September, in partnership with Fred Done (Founder of Betfred, one of the world's largest independent bookmakers) and Warren Jacobs (Managing Director of Active Win Media Ltd)
- The Group announced in March 2016 a new fundraising totalling £2.93 million that puts in place additional working capital to support the strong growth being seen in Europe and in the US JV. The resolutions at the EGM on 29 March 2016 were passed unanimously.

**Financial Summary:**

	<b>Unaudited Six months ended 31 December 2015 £'000</b>	<b>Unaudited Six months ended 31 December 2014 £'000</b>
Total revenue	1,629	250
Adjusted EBITDA*	(3,658)	(2,344)
Operating loss	(5,015)	(3,683)
Loss before taxation	(6,579)	(3,916)
Adjusted loss before taxation**	(6,578)	(2,928)
Basic loss per share (pence)	(29.0)	(19.7)
Diluted loss per share (pence)	(29.0)	(19.7)

\*Adjusted EBITDA excludes listing and fundraising costs, impairments, non-recurring expenses and credits, and non-cash charges relating to share based payments  
\*\*Adjusted loss before taxation excludes share based payment expense and listing and fundraising costs

**Gary Shaw, Acting Chief Executive Officer, said:**

"In the US, our Respin JV is now fully licensed to operate its mobile gaming platform and solutions in US casinos across Nevada, California, Oregon and Louisiana. Post the period, Respin became the first group to be approved by Apple Inc. for mobile in-venue gaming in the US and our advanced mobile solutions are now enabling the linking of in-venue platforms to mobile play on smartphones. The first product launches of Respin's other product offering, Xtraspin, have increased revenues for casino operators per machine by up to 50%.

In Europe, we are disappointed with the delayed acceleration in the period of one large contract which was anticipated to be worth approximately £7 million in current year NGR. This has impacted revenues and EBITDA for the Group for the year as a whole. We are working hard with our partner to provide upgraded content, which will see an accelerated launch towards the end of the current financial year. Strong action has also been taken to reduce the ongoing monthly cost base

Excluding the effects of this delayed contract, we are continuing to see significant growth in our Net Gaming Revenues and remain confident in the outlook for the full year and beyond as Nektan continues to strengthen its position and to deliver strong momentum in our key markets in Europe and the US business."

**For further information on the Group, please contact:**

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Gary Shaw, Acting Chief Executive Officer

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Nicholas How (Corporate Finance)  
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Further information on Nektan can be found on the Group's website at [www.nektan.com](http://www.nektan.com)

**About Nektan:**

Nektan is a leading international B2B mobile gaming content developer and platform provider. The Group designs, builds and operates mobile games in the regulated, interactive real money gaming ("RMG") and freemium gaming space, delivering original and innovative content to large commercial organisations that have established online audiences.

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

Nektan also operates a joint venture, Respin LLC, with Spin Games LLC that provides US land-based casinos with in-venue mobile technology and an innovative way of increasing revenue from end-of-life cabinets whilst providing players new and innovative content to play, which includes functionality on mobile devices.

Nektan is regulated by the Gibraltar Licensing Authority and the UK Gambling Commission, as well as in the Irish market, and has offices in Gibraltar, London and Las Vegas with Respin based in Reno, Nevada.

## Chairman and Acting Chief Executive's Statement

### Overview

Over the last year and following the period end, Nektan has made considerable, tangible progress with strong momentum in its key markets in Europe and the US and strong quarterly growth across KPI's.

Nektan operates in the high growth market of mobile gaming and the Group aims to strengthen its position as the international, B2B mobile platform and gaming provider of choice. Nektan's principal markets are the regulated RMG sectors in the US and Europe where the Group continues to disrupt and exploit the changing market dynamics through innovation.

The Group's competitive advantage is its white label full end-to-end technology platform, Evolve (launched in April 2014), and its growing suite of high quality mobile gaming products, which together continue to prove very attractive to commercial entities, media agencies and affiliates that have large established online audiences.

### Financial Review and Real Money Gaming KPIs

During the period and post period end, the Group has experienced significant growth in revenues, as well as other KPI's demonstrating the operational progress being achieved. The Directors regard, in addition to net gaming revenue and EBITDA, the growth in first time depositors, player deposits and player cash stakes as reliable measures of performance that demonstrate growing sustainable lifetime revenues from players:

Net gaming revenue ("NGR") in the period of £1,629k represents 552% growth over the equivalent period in 2014, and the compound growth rates in all KPI's between July and December 2015 has been at least 20% per month.

- first time depositors were 11,001 in Q4 of 2015 versus 1,256 in Q1;
- cash stakes in Q4 of the year were £30.0m versus £3.4m in Q1; and
- deposit amounts were £2.2m in Q4 of 2015 versus £0.3m in Q1.

The increase in revenues in the period have resulted in a direct increase in partner shares payable. Furthermore the Group continued to invest in marketing campaigns with partners in order to drive future revenue growth.

Administration costs increased from £3,510k to £4,311k compared to the equivalent period in 2014. However as a result of actions taken after the period end, the monthly administration costs are on track to be reduced to £280k per month.

During the period, the Group reassessed the recoverability of two debtor balances, resulting in an impairment charge of £745,000.

The group's share of losses of its Respin JV increased from £203k to £785k as there continues to be heavy investment in this business.

During the 6 month period, the Group raised £4m funding - £1.6m through the issue of equity and £2.4m through a further issue of convertible loan notes. As a result, the interest charge increased by £120k per quarter and the number of shares in issue increased from 22.6m to 23.7m.

The loss before tax increased from £3.9m to £6.1m and the loss per share increased from 20.0p to 26.8p.

### Working Capital

Following the recent Board changes, the directors have implemented a wholesale review of all costs and are taking the steps to reduce the Group's fixed cost base from an average monthly run rate of £490,000 in H1 to £280,000 by April 2016, lowering the level of monthly NGR at which the Group will be EBITDA positive. We believe that this will be achieved without adversely impacting growth and will be a significant step towards ensuring that we reach the key milestone of EBITDA break even as soon as possible.

The Group announced in March 2016 a new fundraising totalling approximately £2.93 million, through the issue of Convertible Loan Notes and equity, that puts in place additional working capital to support the strong growth being seen in Europe and in the US JV (the "Fundraising"). The Group's business model sees it receive net gaming revenues in cash on a monthly basis, which will grow in line with its business activities. The Group has significant cash outflows around quarterly payments of gaming revenue taxes and convertible loan note interest and it also has further scheduled investments into the Group's US JV within the next 12 months.

After taking account of the receipt of the net proceeds of the Fundraising, the Directors expect to be able to manage the Group's working capital during these key periods provided the Group continues to perform in line with the Directors' expectations.

However, should this prove more difficult than anticipated or should revenues be less than, or costs exceed, the Board's expectations then the Group would need additional funds.

The Directors are therefore continuing to assess the Group's financing options, in addition to the Fundraising. These options include seeking new investors, debt finance or other financial support from key stakeholders for the Group; seeking a strategic partner; or seeking to realise value from its trading assets. These options have not yet been explored in detail and, whilst the Directors believe that, if required, the Group would be reasonably likely to secure additional funding from one of these options, any such funding or realisation of value in those circumstances could be on unfavourable and onerous terms.

### Our business model and strategy

Nektan's core market is the regulated mobile RMG sector. In the early stages of the Group's development it has focused specifically on white label casino.

Nektan aims to strengthen its position as the international, B2B mobile platform and gaming provider of choice, recognised for being at the forefront of innovation in mobile gaming and through its revenue share and licensing business model, to generate high operational leverage and high margins. The Group's strategy is focused on:

- operating, distributing and monetising RMG entertainment for white label partners with access to large online audiences;
- continuing to develop and enhance the Group's end-to-end platform, including the ability to deploy content across mobile and desktop and to continue innovating content-rich and original gaming products; and
- targeting the land based US casino market with in-venue technology through a twin-pronged product strategy by adding 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 and enabling the linking of in-venue platforms to mobile play on smartphones

Nektan simplifies the route to mobile gaming revenues for its partners, managing the full customer experience and back-office operations, allowing the partner solely to focus on marketing the product to its consumers. Net gaming revenue is split between the Group and the partner, with limited technical or integration cost attached to each launch.

### Board

During the period and since the period end there have been a number of board changes. We are making good progress with our search for replacements at both Chief Executive Officer and Chief Financial Officer level and will make further announcements in due course.

### Outlook

In both our European and US markets, supported by our leading full end-to-end technology platform, Evolve, the opportunities are substantial and there is significant interest in Nektan's offering.

Post period end, we have secured additional investment, raising £2.93 million through the issue of Convertible Loan Notes and equity to new and existing investors to support the Group's overall growth strategy and maintain strong momentum in its key markets.

Our pipeline remains very encouraging and, along with our existing partner base, emphasises the strength of our proprietary, scalable platform, our content and sector expertise. We remain confident in our outlook for the full year as Nektan continues to strengthen its position and to deliver strong momentum in our growth markets.

**Jim Wilkinson and Gary Shaw**  
**Chairman and Acting Chief Executive Officer**  
**NEKTAN PLC**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the period ended 31 December 2015**

		<b>Unaudited 6 Months to 31 December 2015</b>	<b>Unaudited 6 Months to 31 December 2014</b>
	<b>Notes</b>	<b>£'000</b>	<b>£'000</b>
Revenue	2	1,629	250
Cost of sales	2	(537)	(87)
<b>Gross profit</b>		<b>1,092</b>	<b>163</b>
Marketing, partner and affiliate costs	2	(1,796)	(310)
Administrative expenses	2	(4,311)	(3,536)
Adjusted EBITDA		(3,658)	(2,344)
Listing and fundraising costs		(1)	(983)
Depreciation		(53)	(135)
Provisions for impairments and onerous leases		(797)	-
Amortisation of intangible assets		(506)	(216)
Share based payment charges		-	(5)
<b>Operating loss</b>		<b>(5,015)</b>	<b>(3,683)</b>
Finance expense		(837)	(30)
Share of loss of joint ventures	4	(727)	(203)
<b>Loss before taxation</b>		<b>(6,579)</b>	<b>(3,916)</b>
Tax (charge)/credit		4	15
<b>Loss for the period</b>		<b>(6,575)</b>	<b>(3,901)</b>
<b>Other comprehensive income for the period</b>			
Exchange differences arising on translation of foreign operations which may be reclassified to profit or loss		(31)	(7)
<b>Total comprehensive loss for the period</b>		<b>(6,606)</b>	<b>(3,908)</b>
<b>Earnings per share attributable to the Ordinary equity holders of the parent</b>			
Basic (pence)	3	(29.0)	(19.7)
Diluted (pence)	3	(29.0)	(19.7)

**NEKTAN PLC**  
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**For the period ended 31 December 2015**

		<b>As at 31 December 2015 £'000</b>	<b>As at 30 June 2015 £'000</b>
	<b>Notes</b>		
<b>Non-current assets</b>			
Intangible assets		3,263	3,146
Property, plant and equipment		159	115
Investments in equity accounted joint ventures	4	1,915	1,064
		<b>5,337</b>	<b>4,325</b>
<b>Current assets</b>			
Trade and other receivables	5	1,809	1,473
Cash and cash equivalents	6	1,468	3,396
		<b>3,277</b>	<b>4,869</b>
<b>Total assets</b>		<b>8,614</b>	<b>9,194</b>
<b>Current liabilities</b>			
Trade and other payables	7	3,893	1,442
Convertible loan notes	7	844	583
		<b>4,737</b>	<b>2,025</b>
<b>Non-current liabilities</b>			

Convertible loan notes	8	6,205	4,507
Deferred tax		20	24
		<u>6,225</u>	<u>4,531</u>
<b>Total liabilities</b>		<u>10,962</u>	<u>6,556</u>
<b>Net (liabilities) / assets</b>		<u>(2,348)</u>	<u>2,638</u>
Equity attributable to equity holder:			
Share capital	9	238	226
Share premium		23,938	22,330
Merger reserve		(2)	(2)
Capital contribution reserve		3,306	3,306
Share option reserve		262	262
Foreign exchange reserve		(87)	(56)
Retained earnings		(30,003)	(23,428)
<b>Total (deficit) / equity</b>		<u>(2,348)</u>	<u>2,638</u>

**NEKTAN PLC**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the period ended 31 December 2015

	Share capital	Share premium	Shares to be issued reserve	Share option reserve	Capital contribution reserve	Merger reserve	Foreign exchange reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 July 2014</b>	-	14,824	-	255	3,306	(2)	(60)	(15,286)	3,037
Loss for the period	-	-	-	-	-	-	-	(3,901)	(3,901)
Other comprehensive income	-	-	-	-	-	-	(7)	-	(7)
Rebasing of shares	197	(197)	-	-	-	-	-	-	-
Issue of shares (net of costs)	17	5,822	-	-	-	-	-	-	5,839
Share based payments	-	-	-	5	-	-	-	-	5
<b>At 31 December 2014</b>	<u>214</u>	<u>20,449</u>	<u>-</u>	<u>260</u>	<u>3,306</u>	<u>(2)</u>	<u>(67)</u>	<u>(19,187)</u>	<u>4,973</u>
Loss for the period	-	-	-	-	-	-	-	(4,241)	(4,241)
Other comprehensive income	-	-	-	-	-	-	11	-	11
Issue of shares (net of costs)	12	1,881	-	-	-	-	-	-	1,893
Share based payments	-	-	-	2	-	-	-	-	2
<b>At 30 June 2015</b>	<u>226</u>	<u>22,330</u>	<u>-</u>	<u>262</u>	<u>3,306</u>	<u>(2)</u>	<u>(56)</u>	<u>(23,428)</u>	<u>2,638</u>
Loss for the period	-	-	-	-	-	-	-	(6,575)	(5,975)
Other comprehensive income	-	-	-	-	-	-	(31)	-	(31)
Issue of shares (net of costs)	12	1,608	-	-	-	-	-	-	1,620
<b>At 31 December 2015</b>	<u>238</u>	<u>23,938</u>	<u>-</u>	<u>262</u>	<u>3,306</u>	<u>(2)</u>	<u>(87)</u>	<u>(30,003)</u>	<u>(1,748)</u>

**NEKTAN PLC**  
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)**  
For the period ended 31 December 2015

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

**Share capital**

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

**Share premium**

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

**Capital contribution reserve**

Represents:

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

**Merger reserve**

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

**Foreign exchange reserve**

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

**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 consolidated statement of comprehensive income.

**Share option reserve**

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

**NEKTAN PLC  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
For the period ended 31 December 2015**

	Notes	Unaudited 6 Months to 31 December 2015 £'000	Unaudited 6 Months to 31 December 2014 £'000
<b>Cash flow from operating activities</b>			
Loss for the period		(6,575)	(3,916)
Adjustments for:			
Amortisation of intangible assets		506	216
Depreciation of property, plant and equipment		53	135
Share based payment expense		-	5
Finance expense		837	30
Finance income		-	-
Share of loss of joint ventures		727	203
Income tax (credit)		(4)	-
<b>Operating cash flow before movement in working capital</b>		<b>(4,456)</b>	<b>(3,327)</b>
(Increase) / decrease in trade and other receivables		(202)	42
Increase / (decrease) in trade and other payables		1,488	(186)
<b>Cash used in operations</b>		<b>(3,170)</b>	<b>(3,471)</b>
Income taxes paid		-	(1)
<b>Net cash outflow from operating activities</b>		<b>(3,170)</b>	<b>(3,472)</b>
<b>Cash flow from investing activities</b>			
Purchase of intangible fixed assets		(626)	(950)
Purchase of property, plant and equipment		(98)	(24)
Investments in joint ventures	4	(1,578)	(315)
Loans to joint ventures	5	(134)	(414)
<b>Net cash used in investing activities</b>		<b>(2,436)</b>	<b>(1,703)</b>
<b>Cash flow from financing activities</b>			
Interest paid		(149)	(30)
Interest received		-	-
Issue of convertible debt (net of costs)		2,207	-
Proceeds on subscription for shares (net of costs)	9	1,620	5,839
<b>Net cash generated from financing activities</b>		<b>3,678</b>	<b>5,809</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(1,928)</b>	<b>634</b>
Cash and cash equivalents at beginning of period	6	3,396	877
<b>Cash and cash equivalents at end of period</b>	6	<b>1,468</b>	<b>1,511</b>

**NEKTAN PLC  
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
For the period ended 31 December 2015**

**1. Accounting policies**

## General information

The unaudited condensed interim consolidated financial statements for the six months ended 31 December 2015, which were approved by the Board of Directors on 31 March 2016, do not comprise statutory accounts and should be read in conjunction with the Annual report and Accounts which includes audited financial information for the year ended 30 June 2015 accounts. Those accounts have been reported upon by the Group's auditors and delivered to Companies House in Gibraltar. The report of the auditors on those accounts was unqualified. The Annual Report is published in the Investors section of the Group website at [www.nektan.com](http://www.nektan.com) and is available from the Company on request.

## Basis of preparation

The unaudited interim condensed consolidated financial statements are prepared on the basis of the accounting policies stated in the Group's Annual Report 2015 which is available on the Group's website at [www.nektan.com](http://www.nektan.com). In the current reporting period, the Group has adopted a number of revised Standards and Interpretations. 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 since the last annual report was published. It is not expected that any of these will have a material impact on the Group.

After making enquiries, including reviewing the Group's forecast, budget, liquidity requirements and new financing arrangements, including continued shareholders support, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim condensed consolidated financial statements.

## 2. Segmental information

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

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

### NEKTAN PLC NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the period ended 31 December 2015

#### 2. Segmental information (continued)

##### Segment revenues and results

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

	Real money gaming	Content licensing and revenue share	Software development	Total
	£'000	£'000	£'000	£'000
<b>Unaudited 6 months to 31 December 2015</b>				
Net revenue	1,589	13	27	1,629
Cost of sales	(537)	-	-	(537)
Marketing partner and affiliate costs	(1,796)	-	-	(1,796)
<b>Segment result</b>	<b>(744)</b>	<b>13</b>	<b>27</b>	<b>(704)</b>
Administration expenses				(4,311)
Net finance expense				(837)
Share of loss of JV				(727)
Taxation				4
<b>Loss for the period</b>				<b>(6,575)</b>

	Real money gaming	Content licensing and revenue share	Software development	Total
	£'000	£'000	£'000	£'000
<b>Unaudited 6 months to 31 December 2014</b>				
Net revenue	115	21	114	250
Cost of sales	(87)	-	-	(87)
Marketing partner and affiliate costs	(310)	-	-	(310)
<b>Segment result</b>	<b>(282)</b>	<b>21</b>	<b>114</b>	<b>(147)</b>
Administration expenses				(3,536)
Net finance expense				(30)
Share of loss of JV				(203)

Taxation  
**Loss for the period**

15  
(3,901)

Segment result represents the gross profit earned by each segment without allocation of the share of administration costs including Directors' salaries, finance costs and income tax expense. This is the measure reported to the Group's acting Chief Executive for the purpose of resource allocation and assessment of segment performance. Administration expenses comprise principally the employment and office costs incurred by the Group.

**NEKTAN PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**For the period ended 31 December 2015**

**3. 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 period.

	<b>Unaudited 6 Months to 31 December 2015</b>	<b>Unaudited 6 Months to 31 December 2014</b>
<b>Basic and diluted</b>		
Loss after tax (£'000)	(6,575)	(3,908)
Weighted average number of shares	22,731,418	19,878,662
Weighted average loss per share (pence)	(29.0)	(19.7)

The result for the period ended 31 December 2015 as well as the other periods presented was a loss and therefore there was no difference between the basic and diluted loss per share.

**4. Joint ventures**

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

<b>Name</b>	<b>Country of incorporation</b>	<b>Proportion of voting rights held</b>	<b>Nature of business</b>
Broadcast Gaming Limited	Gibraltar	50%	Freemium gaming services
ReSpin Games LLC	USA	50%	Gaming software development
Nektan Marketing Services	England and Wales	50%	Digital marketing

	<b>Total £'000</b>
<b>At 1 July 2014</b>	-
Additions	315
Share of losses	(203)
<b>At 31 December 2014</b>	<u>112</u>
Additions	1,434
Share of losses	(482)
<b>At 30 June 2015</b>	<u>1,064</u>
Additions	1,578
Share of losses	(727)
<b>At 31 December 2015</b>	<u>1,915</u>

**NEKTAN PLC**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**For the period ended 31 December 2015**

**4. Joint ventures (continued)**

Aggregated amounts relating to joint ventures are as follows:

	<b>Broadcast Gaming Limited £'000</b>	<b>ReSpin Games LLC £'000</b>	<b>Nektan Marketing Services £'000</b>
<b>For the period ended 31 December 2015:</b>			
Non-current assets	-	462	6
Current assets	251	134	157
Total liabilities	481	498	48
Net assets/(liabilities)	(230)	98	115
Group's share of net assets/(liabilities)	(115)	49	58
Revenues	-	15	117

Profit / (Loss)	(1,570)	115
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The share of losses of the Broadcast Gaming Limited have not been recognised as they would reduce the investment below zero. The Group's share of accumulated losses totalled £115,000.

During the year ended 30 June 2015, the Group became a joint venture partner in ReSpin Games LLC. In the period to 31 December 2015 a further contribution of £1,578k was provided and is included in the costs of investments. The share of losses of the joint venture totalling £785k have been deducted from the investment to leave a carrying value of £1,857k.

During the period ending 31 December 2015, the Group became a joint venture partner in Nektan Marketing Services ("NMS"). No capital contribution was made to NMS and the Group's share of the joint ventures profits is included within costs of investments.

#### 5. Trade and other receivables

	Unaudited At 31 December 2015 £'000	Audited At 30 June 2015 £'000
Trade receivables	53	12
Other receivables	1,232	776
Loan to joint ventures	134	463
Prepayments	390	222
	<u>1,809</u>	<u>1,473</u>

The Directors consider that the carrying amount of the trade receivables, other receivables and the loan to the joint ventures approximate to their fair value due to their short term maturity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable shown above. The Group does not hold any collateral as security.

During the period, the Group reassessed the recoverability of two debtor balances, resulting in an impairment charge of £745,000.

### NEKTAN PLC NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the period ended 31 December 2015

#### 6. Cash and cash equivalents

	Unaudited At 31 December 2015 £'000	Audited At 30 June 2015 £'000
Cash in bank accounts	<u>1,468</u>	<u>3,396</u>

Interest is earned at floating rates on cash held on short-term deposit. All of the Group's cash and cash equivalents are held with major UK or US banks.

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

#### 7. Trade and other payables

	Unaudited At 31 December 2015 £'000	Audited At 30 June 2015 £'000
Trade payables	1,156	427
Other payables	823	210
Accruals	628	370
Derivative financial liability	1,286	435
	<u>3,893</u>	<u>1,442</u>

Player balances represent amounts due to customers including net deposits received, undrawn winnings and certain promotional bonuses. Player balances at 31 December 2015 are £242k (2014: £6k) and are included in other payables above.

Derivative financial liability relates to the fair value derivative component of the convertible loan notes issued in the period and during the year-ended 30 June 2015. Details of the convertible loan notes issued by the Group in the period can be found in Note 8.

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

The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe and no interest has been charged by any suppliers as a result of late payment of invoices.

### NEKTAN PLC NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the period ended 31 December 2015

#### 8. Convertible Loan Notes

During the period the Group raised £2.4m through the issue of convertible loan notes (net of costs). The conversion price is at a 25



percent premium to the price of the Ordinary shares at the date the convertible loan notes were subscribed for, subject to a maximum conversion price of 209 pence a share. Interest of 10 percent per annum is payable quarterly in arrears. Any notes that have not been converted will be redeemed in full on 28 April 2020. The notes can be converted at any time through to 28 April 2020.

	<b>Unaudited At 31 December 2015 £'000</b>	<b>Audited At 30 June 2015 £'000</b>
Convertible loan notes	844	583
<b>Current liabilities</b>	<b>844</b>	<b>583</b>
Convertible loan notes	6,205	4,507
<b>Non-current liabilities</b>	<b>6,205</b>	<b>4,507</b>

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

As a result of an update in the volatility assumptions and the rebasing of the conversion price due to the issue of equity in the period, the derivative financial liability has been revalued at the balance sheet date, which has resulted in a fair value movement of £472k that has been recognised as an expense in the income statement through finance expenses.

## 9. Share capital

	<b>Ordinary shares number</b>	<b>Ordinary shares £</b>
<b>Allotted, issued and fully paid</b>		
At 31 December 2014	21,440,051	214,401
Issued during the period	1,134,326	11,343
At 30 June 2015	22,574,377	225,744
Issued during the period	1,170,187	11,702
At 31 December 2015	23,744,564	237,446

The issued and fully paid share capital of the Group amounts to £237,446 and is split into 23,744,564 ordinary shares.

### **Authorised share capital**

The authorised share capital of the Group is £1,000,000 divided into 100,000,000 Ordinary Shares of which 23,744,564 Ordinary shares have been issued, credited as fully paid (2014: 18,829,956).

## **NEKTAN PLC NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued) For the period ended 31 December 2015**

## 10. Related party transactions

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

The following related party transactions took place during the period:

During the year ending 30 June 2015 a Non-executive Director provided consultancy services through a service company to the Group in relation to the admission to trading on AIM amounting to £45,000. The amount outstanding at the period-end was £nil (2014: £nil).

As at 30 June 2015, a Director and shareholder had a loan balance outstanding of £18,000 (2014: £37,000) and this amount was included in current liabilities. Repayment of £14,441 was made by the Group during the 6 months to 31 December 2015 and the balance outstanding at 31 December 2015 is £3,559. The loan is interest free and repayable on demand.

During the year ended 30 June 2015, the Group received loans from a shareholder totalling £1,370,000 which was subsequently converted to Ordinary shares. Prior to conversion interest of £31,000 was charged. No further loans were made in the 6 months ended 31 December 2015.

A Director and shareholder of Nektan plc, loaned the Group £270,000 during the 30 June 2015 financial year (2014: nil). The loan was repaid with accrued interest of £15,000 by 30 June 2015 (2014: nil). No further loans were made in the 6 months ended 31 December 2015.

A Non-executive Director and shareholder of Nektan plc, loaned the Group £50,000 during the 30 June 2015 financial year (2014: nil). The loan was repaid with accrued interest of £800 by 30 June 2015 (2014: nil). No further loans were made in the 6 months ended 31 December 2015.

During the period ended 31 December 2015, the Group paid legal and professional fees of £18,000 on behalf of Broadcast Gaming Limited, a joint venture of Nektan Plc. The total balance as at 31 December

2015 was £481,000 (June 2015: £463,000). This balance was reassessed for recoverability and an impairment charge for the full balance charged through the P&L in the period to 31 December 2015.

During the period, the Group provided an additional contribution to its joint venture ReSpin Games LLC, of £1,578,000 which is included in the cost of investments. The share of losses of the joint venture totalling £785,000 have been deducted from the investment to leave a carrying value of £1,857,000.

During the period, the Group made a loan of £134k to its joint venture undertaking Respin Games LLC. As at 31 December 2015 this balance was included within Loans to Joint Ventures.

## 11. Post-balance sheet events

On 7 March 2016 the Group announced additional financing raising gross proceeds of £2.93 million gross of costs through the issue of convertible loan notes and equity.

The resolutions at the EGM on 29 March 2016 were passed unanimously.

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