31 March 2017

NEKTAN PLC

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

Interim Results for the six months ended 31 December 2016

TRADING MOMENTUM CONTINUING TO IMPROVE ACROSS THE BUSINESS IN THE PERIOD AND IN THE CURRENT QUARTER

Nektan plc (AIM: NKTN), a leading international B2B gaming solutions and services provider, announces its unaudited results for the six months ended 31 December 2016.

Financial Summary:

	Unaudited Six months ended 31 December 2016 £'000	**Unaudited Six months ended 31 December 2015 £'000**
Total revenue	5,727	1,629
Adjusted EBITDA*	(1,498)	(3,658)
Operating loss **	(512)	(5,015)
Profit / (loss) before taxation **	1,188	(6,579)
Adjusted loss before taxation***	(2,873)	(5,781)
Basic & diluted earnings / (loss) per share (pence)	4.9	(28.9)

**Adjusted EBITDA excludes fundraising costs, impairments, non-recurring expenses and credits, and non-cash charges relating to share based payments and the profit on brands disposal*

***In 2016 operating profit included the profit on brands disposal of £1,950k and profit before taxation includes the profit on brands disposal and the fair value adjustment on increase in equity ownership of £2,322k*

**** Adjusted loss before taxation excludes fundraising costs, impairments, non-recurring expenses and credits, and non-cash charges relating to share based payments, profit on brands disposal and the fair value adjustment on increase in equity ownership of £2,322k*

Summary:

- Revenue increase of 252% versus six months ended 31 December 2015 and 38% versus six months ended 30 June 2016
- Consistent quarterly growth across all key performance indicators (**KPIs**") in the Managed Services business in Europe
- Continued progress in the Company's North American subsidiary Respin Games LLC (**Respin**"), with its real money in-venue mobile games solution for the US casino market

Post-period end:

- Respin signed first major contract with a Tier-1 US casino operator to launch its real money in-venue mobile games solution into the US casino market and has five signed letters of intent from other casinos to install the solution
- The formal launch this quarter of Nektan's new software licensing and games distribution B2B business. New agreements with Spin Games and Hi5 Games ("**H5G**") help to position Nektan favourably as a new and innovative supplier in an important area of the interactive gaming market:
  - § Distribution contract with Spin Games LLC (**Spin**") to license and supply Spin's portfolio of proprietary and certain third party mobile casino games to European gaming operators
  - § Partnership agreement with H5G to become the distributor of its game titles in Europe and Canada with exclusive rights over the games portfolio and additional rights to transfer the games to HTML5 mobile format
- The Company raised a total of £2.4 million via a subscription and open offer in December 2016 and January 2017
- The Company appointed Patrick Sinclair as Chief Financial Officer
- The Group is in discussions with a number of potential parties about securing long term funding and existing stakeholders about restructuring its capital structure with the aim of completing this in the coming weeks

Leigh Nissim, Chief Executive Officer of Nektan, said:

"The business continues to make significant positive progress as Nektan transitions from a white label operator to a leading international gaming solutions and services provider.

Our European managed solutions business, which now comprises 63 casino labels, continues to improve from a product perspective and is appealing to more players than ever. In parallel, our US business is installing its in-venue gaming solution, Rapid Games, in multiple casinos and is continuing to attract interest from potential casino customers. We expect that the work underway on augmenting our innovative and exciting in-venue mobile wagering products, with the addition of new games and player features, will continue to accelerate in an important section of the North American gaming market.

Nektan's access to high-quality casino manufacturer game titles, coupled with our proprietary technology platform, Evolve, and licensing infrastructure, presents B2B opportunities for game licensing and software supply in Europe under traditional licensing arrangements. The formal launch this quarter of our B2B business with a distribution agreement signed with Spin Games and a partnership agreement with Hi5 Games, positions Nektan favourably as a new and innovative supplier in an important area of the interactive gaming market.

We are encouraged by these developments which are in line with our strategy to leverage our assets, expertise and networks across both North America and Europe, helping to maximise revenue in both territories.

In addition, we are pleased to report continuing growth across a number of our key metrics through the current quarter and we look forward to updating further in due course."

For further information on the Group, please contact:

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

Chief Executive's Statement

Overview

Nektan continues to make significant operational and strategic progress in its key markets in Europe and the US over the last six months and following the period-end.

In line with our strategy to transition from a white label operator to an international gaming solutions and services provider, the Group has made strong progress in realigning our structure to focus on three principal business areas which are powered by a single, proprietary technical platform: Managed Solutions (Europe), B2B Software & Games Licensing (Europe) and In-venue Gaming (North America).

The managed casino network continues to deliver growth momentum for our casino partners, with a significant and expanding base of active registered players as we selectively expand the casino network with quality partners, helping to ensure that we continue to deliver sustainable profitable growth.

Real Money Gaming continues to be Nektan's core focus in Europe in our Managed Solutions business, leveraging our Gibraltar gaming licence, proprietary back office platform (Evolve) and operational expertise to offer a rewarding and entertaining player experience across a network of 63 managed casinos.

During the six months to 31 December 2016, the Evolve casino network processed 183.9 million transactions and registered 49,252 first time depositors (H1 FY15: 17,483), demonstrating the importance and flexibility of the Evolve platform to support and deliver additional growth. Nektan strives to be the best in all operating disciplines across casino management, maximising player entertainment and engagement through the intelligent use of our back office platform and associated services across customer relationship management, payments, customer service and player marketing.

Nektan aims to leverage its proprietary technologies and access to high-quality casino game titles to supply European interactive casino operators through traditional B2B software and gaming licensing arrangements. The post-period end signing of distribution agreements with both Spin Games and Hi5 Games are important partnerships which position Nektan favourably as a new and innovative supplier in an important area of the interactive gaming market.

Nektan's operating expertise, combined with the Evolve back office, are two critical components to the success of Respin Inc, our US operating subsidiary, which continues to innovate in the North American casino market. The Respin team has worked hard to bring new and fresh products to the US tribal casino market that cater for Millennials, whilst bringing additional revenues to US casinos through the intelligent use of HTML5 technologies distributed via mobile devices, either bring your own devices ("**BYOD**") or within a cabinet or wheel.

During the period Nektan increased its ownership of Respin Inc from 50% to 85% and post-period end to 100%. Transitioning the business from a joint venture to an operating subsidiary is an important milestone as Nektan strengthens its position as an international gaming provider, offering solutions and services that are fresh, high quality and tangibly different from other suppliers in both Europe and North America, leveraging the strengths, products and assets of both businesses for mutual success.

Nektan is also focused on realigning its capital structure, whilst proactively managing its cost base for maximum efficiency. This will provide a solid foundation to achieve additional growth opportunities across its key markets in Europe and North America. In this regard, in December 2016 and January 2017, Nektan raised approximately £2.4 million in new equity from certain existing shareholders and restructured the Company's convertible loan notes, so that the Company has the option to defer the interest payable in return for issuing warrants. In January 2017, Nektan appointed Stockdale Securities as its nominated adviser and broker to support the next phase of its growth.

Financial Review and KPIs

Both during the period and post-period end, the Group has experienced growth in revenues, as well as other KPIs, demonstrating the operational progress being achieved. The Directors regard, in addition to revenue and adjusted 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:

- Revenue in the period of £5.7 million (H2 FY16: £4.2 million, H1 FY15: £1.6 million) representing 252% growth over the equivalent period in 2015;
- First time depositors were 49,252 in H1 FY17 (H2 FY16: 32,165, H1 FY15: 17,483);
- Cash stakes in H1 FY17 were £172.6 million (H2 FY16: £104.7 million, H1 FY15: £45.4 million); and
- Deposit amounts were £11.2 million in H1 FY17 (H2 FY16: £7.2 million, H1 FY15: £3.3 million).

The increase in revenues in the period has resulted in a direct increase in partner shares payable and operating cost of sales. Furthermore, the Group has continued to invest in marketing campaigns with certain European casino partners where the commercial arrangements require that Nektan invests on behalf of these casino partners in order to drive future revenue growth.

Administration costs decreased from £4,311k to £781k compared to the equivalent period in 2016, primarily due to the profit on the brands disposal of £1,950k as well as cost savings actions taken.

The Group's share of losses of its Respin JV prior to becoming a subsidiary decreased from £727k to £507k.The Group continued to invest in its North American business which is progressing towards revenue generation through a signed contract with a Tier-1 US casino operator and signed five letters of intent to install its in-venue gaming solution.

During the six month period, the Group raised £1.95 million in cash through the sale of three casino brands to Buckingham HMB LLP. After deduction of selling costs, a profit of £1,898k has been recorded. In addition, the Group announced in December 2016 and January 2017 that it had raised approximately £2.4 million through a subscription and open offer.

Profit before tax in the period was £1.1 million (2015: loss of £6.6 million) and earnings per share totalled 4.9p (2015: loss per share of 28.9p). Adjusted loss before taxation in the period, which excludes fundraising costs, impairments, non-recurring expenses and credits, and non-cash charges relating to share based payments, profit on brands disposal and the fair value adjustment on increase in equity ownership, was £2.8m (2015: £5.8m).

Funding

In its 2016 preliminarily results announcement in December 2016, the Company announced that following the fund-raising in December 2016, it would require long-term funding and, without undertaking alternative corporate transactions, the Company would need to undertake an additional fundraising. The Group is in discussions with a number of potential parties about securing long-term funding and existing stakeholders about restructuring its capital structure, with the aim of completing this in the coming weeks. There do, however, remain material uncertainties around the ability to secure financing that may cast significant doubt about the Company's ability to continue as a going concern.

Our business model and strategy

Nektan's core market is the regulated mobile real money gaming (**RMG**") sector. In the early stages of the Group's development, it focused specifically on white label casinos. As the Company proceeds with its realigned strategy to leverage its assets, expertise and networks across both North America and Europe, it 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 managed casino partners with access to large online audiences;
- building software licensing supply partnerships through distributing games titles, evidenced through the recent agreements with Spin Games and Hi5 Games and licensing its own existing proprietary back office and gaming technology; and
- targeting the land based US casino market with regulated digital casino gaming through the deployment of Respin's Rapid Bingo on-property mobile solution, which is the first bring-your-own-device approved mobile gaming platform with a GLI 547, Class II gaming certification. In addition, the Group's Rapid Bingo app is the first to be approved by Apple Inc. for mobile in-venue gaming.

The purchase of the remaining 15% equity in Respin LLC, isan important milestone to consolidate Nektan's position as an international gaming provider, offering solutions and services that are fresh, high quality and tangibly different from other suppliers in both Europe and North America, leveraging the strengths, products and assets of both businesses for mutual success.

Nektan continuously updates and upgrades its Evolve back office, positioning the casino network well for future growth and geographic expansion. Controlling its product roadmap offers flexibility and the opportunity to differentiate its casino offering from other casinos in a competitive market, which benefits both its casino partners and players alike.

Europe - Managed Solutions

Nektan's mobile casino solution offering to partners and players includes 246 casino games titles from leading gaming suppliers such as NetEnt, IGT, NYX, Blueprint and SG Gaming, as well as Nektan's own proprietary games. Nektan continuously improves its casino games portfolio, through the addition of best-of-breed content from leading suppliers, supplemented with its own games and those of its US partner, Spin Games.

For the period ended 31 December 2016, Nektan's casino network registered 545,111 new players and processed 183.9m financial transactions or bets, demonstrating the importance and flexibility of the Evolve platform to support and deliver additional growth of player volumes and activity.

Nektan aims to grow its casino network through the addition of high quality partners and, at 31 December 2016, the network had 42 live RMG casino partners, including the landmark multi-year relationship with The Sun newspaper in the UK to develop and operate Sun Play, an innovative new gaming product which was relaunched in the UK in March 2016.

As at 31 December 2016, 95% of the Company's current player base is derived from the regulated UK market. Going forward, Nektan expects to attract additional players from additional territories in both regulated and regulating markets. It also plans to adjust its operating model and software in order to offer a more modular approach to licensed casino operators.

Europe - Software licensing

Post-period end, in January 2017, Nektan signed a games distribution partnership with its US games studio partner, Spin Games LLC, offering the opportunity to distribute Spin's proprietary HTML5 casino games portfolio and selected third party casino games manufacturers to European casino operators.

Earlier this week, Nektan announced the signing of a multi-faceted partnership agreement with leading casino games developer High 5 Games to become the distributor of H5G content for real-money gaming in Europe and Canada with exclusive rights to the H5G casino catalogue.

As Nektan continues to develop its proprietary technologies, the Company believes that its operating platform for player and casino management, Evolve, will be of interest to licensed operators wishing to enter the market or switch from legacy platforms. In the current financial year, Nektan plans to adjust its operating model and software in order to offer a more modular approach to licensed casino operators.

North America - Software licensing

Respin LLC, Nektan's North America subsidiary, is focused on mobile in-venue cash wagering, primarily for the Class II tribal gaming market, offering players and casinos the opportunity to play floor-favourite bingo games and slots on their mobile devices when in the casino and its grounds.

Class II gaming is an important US casino content category, worth over $33 billion in revenue annually (Source: National Indian Gaming Commission). Nektan's operating expertise, combined with its Evolve back office, are two critical components to the success of Respin LLC, which continues to innovate in the North American casino market.

Earlier this month, Nektan announced that Respin signed its first major contract with a Tier-1 US casino operator to launch its real money in venue mobile games solution into the US casino market. In addition, Respin currently has five signed letters of intent to launch into multiple states in the US, with a strong pipeline of additional interested parties wishing to go live after the platform enters the market.

Outlook

In Europe, Nektan continues to focus on accelerating the growth momentum and optimising its casino network, with the selective addition of new partners, high quality casino games and improved features and facilities to keep attracting and retaining players, helping to ensure that we deliver sustainable profitable growth.

The launch of our B2B business is a complementary addition to our European managed casino network. We expect games licensing and distribution to bring additional customers, players and revenue to the Group as the business builds.

Furthermore, our North American Respin business, now an operating subsidiary of the Group, is installing its product and continuing to attract interest from potential casino customers. We expect that the work underway on augmenting our innovative and exciting in-venue mobile wagering products, with the addition of new games and player features, will continue to accelerate in an important section of the North American gaming market.

The Company continues to leverage its assets, expertise and networks across both North America and Europe, to maximise revenue in both businesses and deliver profitable growth to shareholders. We look forward to updating on further significant progress during 2017.

On behalf of the Board, I would like to thank all of Nektan's employees for their continued hard work and commitment.

Leigh Nissim
Chief Executive Officer

NEKTAN PLC
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 December 2016

	Unaudited 6 Months to 31 December 2016	Unaudited 6 Months to 31 December 2015

	Notes	£'000	£'000
Revenue	2	5,727	1,629
Cost of sales	2	(2,197)	(537)
Gross profit		3,530	1,092
Marketing, partner and affiliate costs	2	(3,261)	(1,796)
Administrative expenses	2	(781)	(4,311)
Adjusted EBITDA		**(1,498)**	**(3,658)**
Exceptional items		(201)	(798)
Depreciation		(45)	(53)
Amortisation of intangible assets		(708)	(506)
Profit on brand disposals		1,950	-
Operating loss		(512)	(5,015)
Net finance expense		(194)	(837)
Fair value adjustment on increase in equity ownership	11	2,322	-
Share of loss of joint ventures	4	(428)	(727)
Profit / (loss) before taxation		1,188	(6,579)
Tax (charge)/credit		(7)	4
Profit / (loss) for the period		1,181	(6,575)
Other comprehensive income for the period			
Exchange differences arising on translation of foreign operations which may be reclassified to profit or loss		(153)	(31)
Total comprehensive result for the period		1,028	(6,606)
Profit / (loss) attributable to Equity holders of the parent		1,181	(6,575)
Minority interest		-	-
Profit / (loss) for the period		1,181	(6,575)
Earnings per share attributable to the Ordinary equity holders of the parent			
Basic and diluted (pence)	3	4.9	(28.9)

NEKTAN PLC

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the period ended 31 December 2016

	Notes	Unaudited as at 31 December 2016 £'000	Audited at 30 June 2016 £'000
Non-current assets			
Intangible assets		8,431	3,200
Property, plant and equipment		511	148
Investments in equity accounted joint ventures	4	164	2,256
		9,106	5,604
Current assets			
Trade and other receivables	5	2,110	1,816
Cash and cash equivalents	6	535	99
		2,645	1,915
Total assets		11,751	7,519
Current liabilities			
Trade and other payables	7	6,422	4,448
		6,422	4,448
Non-current liabilities			
Convertible loan notes	8	9,941	9,199
Trade and other payables		-	30
Deferred tax		329	17
		10,270	9,246
Total liabilities		16,692	13,694
Net liabilities		(4,941)	(6,175)
Equity:			
Share capital	9	241	241
Share premium		24,115	24,115
Merger reserve		(2)	(2)
Capital contribution reserve		3,306	3,306
Share option reserve		262	262

Retained earnings	(32,733)	(33,914)
Foreign exchange reserve	(336)	(183)
Deficit attributable to the equity holders of the parent	(5,147)	(6,175)
Minority Interest	206	-
Total deficit	(4,941)	(6,175)

NEKTAN PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 31 December 2016

	Share capital	**Share premium**	**Minority interests**	**Share option reserve**	**Capital contribution reserve**	**Merger reserve**	**Foreign exchange reserve**	**Retained earnings**	**Total equity**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 July 2015	226	22,330	-	262	3,306	(2)	(56)	(23,428)	2,638
Loss for the period	-	-	-	-	-	-	-	(6,575)	(6,575)
Other comprehensive income	-	-	-	-	-	-	(31)		(31)
Issue of shares (net of costs)	12	1,608	-	-	-	-			1,620
At 31 December 2015	238	23,938	-	262	3,306	(2)	(87)	(30,003)	(2,348)
Loss for the period	-	-	-	-	-	-	-	(3,911)	(3,911)
Other comprehensive income	-	-	-	-	-	-	(96)	-	(96)
Issue of shares (net of costs)	3	177	-	-	-	-	-	-	180
Share based payments	-	-	-	-	-	-	-	-	-
At 30 June 2016	241	24,115	-	262	3,306	(2)	(183)	(33,914)	(6,175)
Profit for the period	-	-	-	-	-	-	-	1,181	1,181
Arising during the year on increased ownership of joint venture	-	-	206	-	-	-	-	-	206
Other comprehensive income	-	-	-	-	-	-	(153)	-	(153)
At 31 December 2016	241	24,115	206	262	3,306	(2)	(336)	(32,733)	(4,941)

NEKTAN PLC
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)
For the period ended 31 December 2016

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.

Minority interest
Represents the 15% minority interest in the net assets of Respin LLC.

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 2016

	Notes	Unaudited 6 Months to 31 December 2016 £'000	Unaudited 6 Months to 31 December 2015 £'000
Cash flow from operating activities			
Profit / (loss) for the period		1,181	(6,575)
Adjustments for:			
Amortisation of intangible assets		708	506
Profit on brand disposals		(1,950)	-
Depreciation of property, plant and equipment		45	53
Finance expense		194	837
Share of loss of joint ventures		428	727
Fair value adjustment on increase in equity ownership of joint venture		(2,322)	-
Income tax charge / (credit)		7	(4)
Operating cash flow before movement in working capital		(1,709)	(4,456)
Increase in trade and other receivables		(417)	(202)
Increase in trade and other payables		2,426	1,488
Cash generated from/ (used in) operations		300	(3,170)
Cash flow from investing activities			
Purchase of intangible fixed assets		(255)	(626)
Purchase of property, plant and equipment		(14)	(98)
Investments in joint ventures	4	(1,014)	(1,578)
Proceeds on brands disposals		1,950	-
Cash acquired on increase in equity ownership of joint venture	11	24	-
Loans to joint ventures	5	-	(134)
Net cash generated from/ (used in) investing activities		691	(2,436)
Cash flow from financing activities			
Interest paid		(555)	(149)
Issue of convertible debt (net of costs)		-	2,207
Proceeds on subscription for shares (net of costs)	9	-	1,620
Net cash generated from/ (used in) financing activities		(555)	3,678
Net increase / (decrease) in cash and cash equivalents		436	(1,928)
Cash and cash equivalents at beginning of period	6	99	3,396
Cash and cash equivalents at end of period	6	535	1,468

NEKTAN PLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the period ended 31 December 2016

1. **Accounting policies**

General information

The unaudited condensed interim consolidated financial statements for the six months ended 31 December 2016, which were approved by the Board of Directors on 30 March 2017, 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 2016 accounts. The report of the auditors on those accounts was unqualified but did contain an emphasis of matter in respect of the Company's ability to continue as a going concern. The Annual Report is published in the Investors section of the Group website at 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 2016 which is available on the Group's website at 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.

The interim financial statements have been prepared on a going concern basis. The Group continues to be loss making and in addition funds its capital expenditure and the development of its US subsidiary which is also currently loss making. Furthermore, the Group's Joint Venture partner within Nektan Marketing Services Limited ("NMS") has a put option requiring the Group to buy the 50% it does not own for a price based, inter alia, on a multiple of the profits and revenues for the preceding 12 months. The Directors currently do not believe that this put option will be exercised within the next 12 months from the date of approval of the financial statements. If the joint venture partner did elect to exercise the put option within the next 12 months the Group would be required to raise further finance to be able to meet this liability which based on the Directors current best estimates and dependent on a number of factors could be in the region of £4.0m.

In December 2016 and January 2017, the Directors announced an equity fundraising for approximately £2.4 million, which was approved by the Group's shareholders at the AGM in January 2017.

Additionally, post period-end, the Group reached agreement with a sufficient proportion of the Convertible Loan Note ("CLN") holders to defer the interest payments on £10.0m of the principal until 2020 in exchange for issuing warrants to the value of the deferred interest payments.

Notwithstanding the above fundraising, deferral of CLN interest and disposal during the period of certain brands for proceeds of £1.95m, the Directors have reviewed forecast cash flows for the forthcoming 12 months from the date of approval of the financial statements and the Directors have identified that the business will require further funding in order to continue as a going concern and to meet their liabilities as they fall due.

The Directors therefore plan to seek additional capital through a combination of fresh equity investment into the business within 2017 as well as possible further asset sales. Having reviewed the forecasts of the business and based on the status of current discussions with regards additional investment and potential asset sales, the Directors have a reasonable expectation to believe that they will be able to raise further capital and therefore it is appropriate to prepare the interim financial statements on a going concern basis. There are therefore material uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the business is unable to raise additional finance it may be unable to realise its assets and discharge its liabilities in the normal course of business.

2. Segmental information

During the period, the group operated in one reporting segment, that of real money gaming.

Segmental information to 31 December 2015:

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

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 Board for the purpose of resource allocation and assessment of segment performance. Administration expenses comprise principally the employment and office costs incurred by the Group.

3. Earnings /(loss) per share

Basic loss per share is calculated by dividing the profit / (loss) attributable to Ordinary shareholders by the weighted average number of Ordinary shares outstanding during the period.

	Unaudited 6 Months to 31 December 2016	**Unaudited 6 Months to 31 December 2015**
Basic and diluted		
Profit / (loss) after tax (£'000)	1,181	(6,575)
Weighted average number of shares	24,102,600	22,731,418
Weighted average earnings / (loss) per share (pence)	4.9p	(28.9p)

At the period-end there are a number of potentially dilutive instruments including share options and convertible loan notes. However, as the exercise price of the share options and convertibles is in excess of the share price at period-end and throughout the period, none of these instruments give rise to a dilution impact for the purposes of calculating the diluted earnings per share. The result for the period ended 31 December 2015 was a loss and therefore there was no difference between the basic and diluted loss per share.

4. Joint ventures

The following entity met the definition of a joint venture and has been equity accounted in the consolidated financial statements:

Name	**Country of incorporation**	**Proportion of voting rights held**	**Nature of business**
Nektan Marketing Services	England and Wales	50%	Digital marketing

The Group increased its shareholding in Respin Games LLC, incorporated in USA, in December 2016 from 50% to 85% and subsequent to period-end acquired the remaining 15%. The investment was equity accounted prior to the increase in shareholding; the carrying value of the investment has been eliminated on acquisition of the additional shareholding. The movement in joint venture investments is as follows:

	Total £'000
At 1 July 2015	1,064
Additions	1,578
Share of losses	(727)
At 31 December 2015	1,915
Share of losses	(668)
Additions	1,009
At 30 June 2016	2,256
Additions	1,014
Share of losses and profits	(428)
Eliminated on acquisition	(2,678)
At 31 December 2016	**164**

The group's joint venture partner in Nektan Marketing Services Limited has a put option in respect of its 50% holding at a price based on the sum of 7 times revenue for the proceeding 12 month period and 12 times trailing EBITDA if exercised before 1 October 2018 or 15 times trailing EBITDA if exercised between 1 October 2018 and 1 October 2019. The Directors believe that this option has a negligible fair value. Based on current estimates, the Directors believe that the cost, if the put option was exercised would be £4.0m.

5. Trade and other receivables

	Unaudited at 31 December 2016 £'000	Audited at 30 June 2016 £'000
Trade receivables	967	1,078
Loan to joint ventures	-	134
Prepayments & other debtors	1,143	604
	2,110	1,809

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.

6. Cash and cash equivalents

	Unaudited At 31 December 2016 £'000	Audited At 30 June 2016 £'000
Cash in bank accounts	535	99

Interest is earned at floating rates on cash held on short-term deposit. All of the Group's cash and cash equivalents are held with major UK 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 2016 £'000	Audited At 30 June 2016 £'000
Trade payables	2,192	1,416
Other payables	1,743	639
Accruals and finance lease obligations	2,423	1,336
Derivative financial liability	64	1,057
	6,422	4,448

Player balances represent amounts due to customers including net deposits received, undrawn winnings and certain promotional bonuses. Player balances are £363k (30 June 2016: £186k) and are included within other payables above.

Derivative financial liability relates to the fair value derivative component of the convertible loan notes. Details of the convertible loan notes 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.

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8. Convertible Loan Notes

The Group has in issue £11.1m of convertible loan notes. The conversion price is at a 25 percent premium to the price of the most recent issue of shares which, at the reporting date was 27.5p giving a conversion price of 34.375p. The notes can be converted at any time through to 28 April 2020 and any notes that have not been converted will be redeemed in full at that time. Interest of 10 percent per annum is payable quarterly in arrears however following the period-end, holders representing £10m of CLNs agreed to defer interest payments until 28 April 2020 in exchange for warrants to be issued at the deferral date and this was applied retrospectively to the 31 December 2016 quarter-end.

	Unaudited At 31 December 2016 £'000	**Audited At 30 June 2016 £'000**
Derivative financial instrument	64	1,057
Current liabilities	**64**	**1,057**
Convertible loan notes	9,941	9,199
Non-current liabilities	**9,941**	**9,199**

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 assumptions the derivative financial liability has been revalued at the balance sheet date, which has resulted in a fair value movement of £251k that has been recognised as a credit in the income statement through finance expenses.

9. Share capital

	Ordinary shares Number ('000)	**Ordinary shares £**
Allotted, issued and fully paid		
At 1 July 2015	22,574	225,744
Issued during the period	1,170	11,702
At 31 December 2015	23,744	237,446
Issued during the period	359	3,580
At 30 June and 31 December 2016	24,103	241,026

Authorised share capital

The authorised share capital of the Group is £1,000,000 divided into 100,000,000 Ordinary Shares of which 24,102,588 Ordinary shares have been issued, credited as fully paid (2015: 23,744,564).

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 directors have the following balances outstanding in the Company's Convertible Loan Notes as at 31 December 2016 with interest being paid in the period of £155,000:
Gary Shaw: £300,000.
Jim Wilkinson: £250,000.
Venture Tech Assets (a company controlled by Sandeep Reddy): £1,000,000.

The following related party transactions took place during the period:

The Group provided an additional contribution to its joint venture, ReSpin Games LLC of £1,014,000 (2015: £1,578,000). The share of losses of the joint venture prior to becoming an operating subsidiary totalled £507,000 (2015: £785,000).

The Group entered into an asset transfer and simultaneous licensing agreement with Buckingham HMB Ltd ("Buckingham") for three of the Company's wholly-owned gaming brands for a total consideration of £1.95m. Lindsay Shaw, the wife of Gary Shaw, the Company's Director of Strategy, holds a partnership share of 8.45% in Buckingham and is also a designated member of the partnership.

11. Acquisitions and disposals

On 29 December the Company increased its ownership of Respin from 50% to 85% as additional funding of $1.7m provided beyond that originally anticipated was converted to an increased membership interest, transitioning the business to an operating subsidiary of Nektan from a joint venture. The directors have determined that control has passed to Nektan and therefore the investment will be consolidated as a subsidiary and will no longer be accounted for as a joint venture.

Details of the provisional fair value of identifiable assets and liabilities acquired and goodwill are as follows:

	Fair value £'000
Property, plant and equipment	390
Cash	24
Trade and other receivables	18
Trade and other payables	(310)
Fair value of intangibles	1,562
Deferred tax liability	(313)
Minority interest	(206)
Total net assets	1,165
Fair value of consideration paid	
Consideration	
Release of receivable due from joint venture	134
Fair value of 50% shareholding	5,000
Goodwill	3,969

The goodwill relates, among other items, to the acquired workforce and future potential synergies.

Prior to the increase in shareholding, the 50% investment in the joint venture was recorded in the financial statements at its carrying value of £2,678k. The 50% investment was fair valued to £5,000k on acquisition of the further 35% and the difference between the fair value and the carrying value of £2,322k has been recorded as a fair value gain in the income statement.

12. Post-balance sheet events

On 30 December 2016 the Group announced additional financing raising gross proceeds of £2.4 million gross of costs through the issue of equity. The resolutions at the AGM in January 2017 were passed unanimously.

In January 2017 the Group increased its ownership of Respin Inc, its US joint venture from 85% to 100%.