Creating entertainment

YOU CAN BET ON

Stride Gaming plc Annual report and financial statements 2015

stridegaming

One of the leading bingo-led operators

IN THE UK ONLINE GAMING SPACE

Our portfolio of diverse brands uses a combination of proprietary and purchased software to provide a unique and compelling online gaming experience to a rapidly growing customer base.

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

Find out more online
www.stridegaming.com

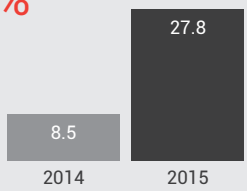
HIGHLIGHTS

Financial highlights

Net gaming revenue ("NGR")* £m

£27.8m

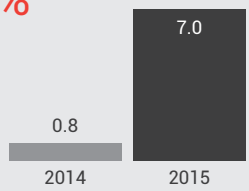
227%



Adjusted EBITDA** £m

£7.3m

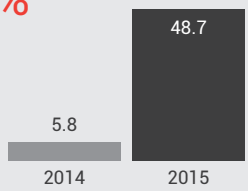
508%



Gross assets £m

£48.7m

740%

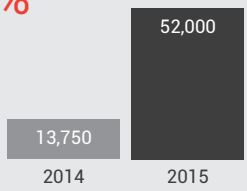


Operational highlights

Funded players***

52,000

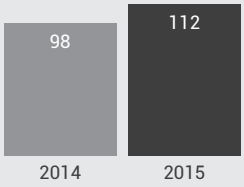
278%



Yield per player £

£112

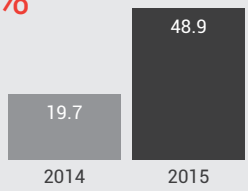
14%



Mobile and touch**** % of the NGR

48.9%

148%



* Stride Gaming plc was incorporated on 25 February 2015 and subsequent to this on 19 May 2015 acquired, via a share for share exchange, the entire share capital of the group headed by Daub Alderney Limited. Following this Group reorganisation the financial statements for the period ended 31 August 2015 have been prepared on a merger accounting basis as though this group structure had always been in place (see note 1 for further details).

** Adjusted EBITDA excludes income or expenses that relate to exceptional items and non-cash charges relating to share-based payments.

*** Funded player means an active player has made a deposit with his own funds within the last three months.

**** Percentages exclude three brands which are download-only technology.

Operational summary

- Successful IPO on AIM on 19 May 2015 raising £11.2 million before expenses
- Organic growth complemented by the successful completion of three acquisitions:
  - Acquisition of InfiApps Limited, a profitable, internationally focused, mobile social gaming company, for total consideration payable of up to $40.0 million
  - Acquisition of the trade and assets of Table Top Entertainment Limited ("TTE"), including the brands Jackpot Café, Jackpot Liner and King Jackpot, and the acquisition of the proprietary gaming platform from Nextec Software Inc, in aggregate for total consideration of £14.7 million
  - Acquisition of Spacebar Media for consideration of £6.0 million
- Launch of three new brands: Bingo Extra, Magical Vegas and Big Top Casino
- Obtained an Italian gaming licence and a stake in a Spanish operation
- Completion of migration of several brands into responsive, adaptive-based website ("RAD"), which is more mobile and tablet oriented

AT A GLANCE

Stride Gaming is an online gaming operator in both the bingo-led and social gaming market, using its proprietary and purchased software to provide online bingo and social gaming to players. Stride Gaming only operates in regulated markets.

Online bingo pioneers since 2013

In the real-money gaming market, Stride Gaming is focused on the UK market, is licensed, and only operates from the regulated jurisdictions of the UK and Alderney.

The Group operates a multi-branded strategy, which includes the online bingo brands Kitty Bingo, Lucky Pants Bingo, Bingo Extra, Jackpot Café, Jackpot Liner and King Jackpot, together with the online casino brands Spin and Win, Magical Vegas and Big Top.

1.6m
registered players

52,000
funded players

9
online gaming brands

Social gaming expertise

InfiApps, an internationally focused mobile social gaming company, gives Stride Gaming presence in the social gaming segment of online gaming, across new international markets.

The acquisition complements the current platform and enables Stride Gaming to offer its content in social gaming as well as expand the real money gaming offering in the App vertical. InfiApps operates multiple brands with the primary brand being Slot Bonanza.

500k+
monthly active users of InfiApps' games worldwide

$17.4bn
forecast in worldwide social gaming revenue by 2019*

* Source: Transparency Market Research

Proprietary platform

The Group's proprietary platform ensures that it can optimise the gaming experience without needing to rely on third-party software providers or pay additional royalty costs.

Having control of the software underpinning the Group's operations will also enable easier entry into other regulated jurisdictions. The Company also launched a new responsive platform ("RAD"), which enables Stride Gaming to maintain a consistent user experience across a multitude of devices, as well as enabling the Group to increase its mobile-centric customer base.

90+
proprietary games

THE BUSINESS TODAY

With offices located in the UK (London), Mauritius, Israel, South Africa and Guernsey, Stride Gaming has over 190 staff committed to continue investing in game development and provide a unique, compelling and entertaining experience to its ever growing customer base.

1 Established business

- 198 staff worldwide
- Online bingo pioneers since 2013

2 Cash flow positive

- Adjusted EBITDA for the year ended 31 August 2015 of £7.3 million
- High cash conversions

3 Regulated markets

- UK focused
- Italian licence
- Stake in a Spanish operation

4 Proprietary software

- Optimisation of KPIs
- Enhancing player retention
- No royalties paid

5 Proven acquisitions

- TTE acquisition in September 2014
- SBM acquisition in February 2015
- InfiApps acquisition in July 2015

Our values

PASSIONATE

Passionate by being fierce and excited about what we deliver

CREATIVE

Creative by being pioneers and always leading the way in our industry

RESPECTFUL

Respectful by being thoughtful to those we work with and appropriate in our communications

The listing on AIM

On 19 May 2015, the Company successfully listed on AIM, raising £11.2 million before expenses.

The listing was primarily designed to facilitate the Company's organic and acquisitive growth strategy and to take advantage of the consolidation in the online bingo industry driven by increasing regulation and the Point of Consumption tax. The Group believes it is making excellent progress in this strategy through the acquisition of InfiApps and achieving robust organic growth and other operational milestones. The response to the listing was extremely positive and the Group welcomes its new shareholders.

Our mission

The Group's mission is to be one of the leading regulated gaming operators through owning its own proprietary software platform and multi-branded strategy.

At the same time the Company is committed to delivering strong, sustainable returns for its shareholders.

OUR MARKET
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OUR STRATEGY
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Slot Bonanza is the franchise that is played most hours per week with 7.5% of the players playing it for 15 hours or more per week*.

* Source: Newzoo Social Casino Gaming Report.

ACCOUNTABLE

Accountable by being responsible and having ownership for the work we do

COLLABORATIVE

Collaborative by being dedicated to succeed as a team

INNOVATIVE

Innovative by being original in everything we do

CHAIRMAN'S STATEMENT

Highlights

- Listed on AIM raising £11.2 million before expenses
- Delivered record-level growth across all the key performance indicators of the business
- Acquired InfiApps, to move into the social gaming segment of online gaming
- Added three new brands to the platform: Bingo Extra, Magical Vegas and Big Top Casino
- Further development of proprietary software and in-house platform

OUR MARKET
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Dear shareholder,

On behalf of the Board, I am delighted to present Stride Gaming's results for the year ended 31 August 2015. The Group has performed strongly in the period and is well positioned for 2016 and beyond.

This year was a transformational year for the Group. We listed on AIM in an oversubscribed placing, raising £11.2 million before expenses, delivered record-level growth across all the key performance indicators of the business, acquired InfiApps to move into the social gaming segment of online gaming in line with our strategy, added three new brands to the platform and continued to develop our proprietary software and in-house platforms.

The response to the Group's admission to AIM has been extremely positive and the Company's shares have performed well since the listing, which we believe demonstrates confidence in the Group's strategic plan and in the management team's ability to deliver and generate returns.

Stride Gaming's overall strategy is to become a market leader in the soft gaming verticals of the online gaming industry and to expand our presence in the UK and in international markets. Our listing has enabled us to accelerate our organic and acquisitive growth strategy and take advantage of the opportunities that exist in the sector. We are clear that the global online gaming market will continue to be shaped by further consolidation as a result of increased regulation and taxes, and the need to add scale. In addition, the appeal of social gaming is growing significantly. This environment only serves to enhance our growth prospects and we intend to take full advantage of it by continuing with our stated organic and acquisitive growth strategy. I am pleased to report that the Group is making excellent progress on delivering on its stated strategy.

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Nigel Payne Non-Executive Chairman

As part of our buy and build strategy, as well as monitoring opportunities to expand into complementary verticals, we have successfully completed three acquisitions in the year, the most recent of which, InfiApps, was completed on 31 July 2015. A profitable internationally focused mobile social gaming company, the acquisition of InfiApps was immediately earnings enhancing and it is pleasing to see that the business has integrated well into the Group and is making a positive contribution to our product offering.

We also believe the market will be increasingly driven by the use of the mobile smartphone and tablets for gaming, and with the launch of our Responsive platform, we are well positioned to increase our mobile-centric customer base. We expect organic growth to remain robust in the coming months as we make further improvements to our propriety software and the gaming experience. The Board remains focused on exploring opportunities to expand into other international markets and progress in this regard is already underway with the Italian gaming licence.

On behalf of the Board I would like to take this opportunity to thank all our staff for their commitment and hard work. The Board also joins me in welcoming all our new shareholders.

This past financial year has been a highly successful period for the Group and our long-term focus remains on delivering strong, sustainable returns for our shareholders. We look to the future with confidence.

Nigel Payne
Non-Executive Chairman
16 November 2015

Major shareholders

As at 12 November 2015 the following interests of shareholders in excess of 3% have been notified to the Company:

	Number of shares held	Shares as % of issued share capital
GAL Holdings Ltd	21,776,838	42.45%
Pershing Nominees Limited	4,604,368	8.98%
Geneva Management Group as trustee of Storge Trust	4,366,937	8.51%
Poppy Investments Limited	4,242,983	8.27%
Bedell Trustees Limited as Trustee of Blue Rock Trust	3,732,268	7.28%
Ukudla Commodities Limited	1,870,831	3.65%
Guardian Trust Company Limited as trustee of Alon Trust	2,249,999	4.39%
Hydaco Holdings Pty Ltd	1,831,298	3.57%

CHIEF EXECUTIVE'S STATEMENT

Highlights

- Strong operational performance with an NGR growth from real money gaming of 214%
- Number of funded players reached 52,000, representing a 278% increase from the prior year
- 14.3% growth in Yield per Player reported at £112
- Adjusted EBITDA is up 508% to £7.3 million
- Adjusted EBITDA on real money gaming is up 483% at £7.0 million

OUR STRATEGY
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I am pleased to report that the year ended 31 August 2015 was an exceptional period for Stride Gaming in which we delivered record results across all KPIs. We have enhanced our profitability and strengthened our balance sheet. The Group also made material progress in achieving a number of operational milestones that provide the Company with a platform for increased growth.

The operation

The reported period has delivered a strong operational performance with NGR growth from real money gaming increasing by 214%. Our organic growth has outperformed our expectations, a testament to what we can achieve with scale and through owning our own proprietary software. This achievement is particularly pleasing in light of the current climate in which margins are being squeezed due to tax, regulatory compliance and technology costs.

Our number of funded players has now reached 52,000 representing a 278% year-on-year increase, and with software enhancements and continuous improvements to the backend of our platform we have shown a 14.3% growth in Yield per Player at £112 (2014: £98).

Adjusted EBITDA for the Group was up 508% to £7.3 million and Adjusted EBITDA on real money gaming (excluding the one month contribution from InfiApps) was up 483% at £7.0 million. In the main this is attributed to the enhanced gaming offering from the Group, the optimisation of marketing costs and an increase in the life time value of our customers, where we continue to deliver a compelling and innovative gaming experience across a multitude of devices including mobile, tablet and PC.

We remain committed to enhancing our performance in real money terms and in social gaming verticals. The Group today has close to 200 staff across five countries.

Acquisitions

Acquisitions remain an integral part of the Group's growth strategy in order to take advantage of the consolidation in the sector and to move into complementary verticals. The Group's ability to successfully integrate acquisitions was demonstrated following the acquisition of the trade and assets of Table Top Entertainment Limited (including the brands Jackpot Café, Jackpot Liner and King Jackpot) and the acquisition of the propriety gaming platform from Nextec Software Inc; in aggregate for a total consideration of £14.7 million as well as Spacebar Media for consideration of £6.0 million.

As part of our strategy to move into complementary verticals and to diversify from solely bingo, on 31 July 2015 Stride Gaming successfully acquired InfiApps, a profitable internationally focused mobile social gaming company. The total consideration payable for the acquisition is up to $40 million. Of this, an initial consideration of US$22 million in cash was paid, together with additional earn-out consideration of up to $18 million payable in cash, determined by the EBITDA generated by InfiApps in the two years following completion of the acquisition. The acquisition provides us with a strong and profitable presence in the social gaming segment of online gaming across new

The year ended 31 August 2015 was an exceptional year for Stride Gaming in which we delivered record results across all KPIs. We have enhanced our profitability and strengthened our balance sheet. The Group also made material progress in achieving a number of operational milestones that provide the Company with a platform for increased growth."

Eitan Boyd Chief Executive Officer

and international geographies. The global social gaming segment is expected to grow from $5.4 billion in 2012 to $17.4 billion in 2019 (Source: Transparency Market Research). The acquisition has been immediately earnings enhancing and with some 5.2 million player downloads of the flagship game, Slot Bonanza, and over 550,000 monthly active users worldwide, it adds material scale and reach to Stride Gaming's existing operations.

For the financial year ended 31 December 2014, InfiApps generated turnover of $13.7 million (2013: $4.6 million), EBIT of $3.6 million (2013: $1.0 million) and profit before tax of $3.4 million (2013: $1.0 million). In the financial year ended 31 December 2014, 69% of InfiApp's revenue was generated from North America. For the five months to 31 May 2015, InfiApps generated turnover of $8.3 million and profit before tax of $2.3 million. These audited numbers are presented under US GAAP.

Our market

Our markets continue to remain robust and, according to the UK Gambling Commission, revenue in the UK gaming industry is expected to pass £3 billion by 2016. The UK online gaming market, including casino, bingo-led and poker, is estimated to grow to approximately £1.6 billion of NGR by 2016 with bingo-led online gaming estimated to account for 32.3%.

Our industry is currently experiencing a wave of M&A activity driven by increasing regulation, taxes, compliance, and technology costs. Companies are recognising that in order to survive in this more challenging regulatory environment they need to add scale.

We believe these increasing pressures, particularly the Point of Consumption tax ("POC tax") is likely to squeeze out a number of smaller scale online bingo operators as they will not be able to absorb such an impact on their margins. At the other end of the market, we believe the larger operators will prioritise their marketing spend on their core products and less so on bingo. This presents an online bingo operator with scale an opportunity to increase market share both from organic growth and acquisition.

Mobile

The market is being increasingly driven by the use of the mobile smartphone and tablets for gaming, and with the launch of our new Responsive adaptive platform ("RAD"), which enables us to maintain a consistent user experience across a multitude of devices, Stride Gaming is well positioned to increase its mobile-centric customer base. The effects of this strategy are already being seen, and on the brands that support mobile devices, 48.9% of NGR is now mobile driven (2014: 19.7%).

The RAD platform places great focus on mobile usability and we believe it will serve to further expedite our growth in the mobile sector. This is the fastest growing sector in the UK gambling industry with the percentage of customers betting on a mobile device increasing from 29% in 2013 to 43% in 2014, and in total 30% of overall bingo search volume is attributed to mobile devices (Online Gambling and Betting: Mintel, 2014).

International markets

Another major growth opportunity we outlined in our strategy was to expand into international markets. I am pleased to report that the Group has obtained remote gambling licenses from the UK and Italian Gambling Commissions ("AAMS"), the latter of which provides us with an opportunity to access the Italian market.

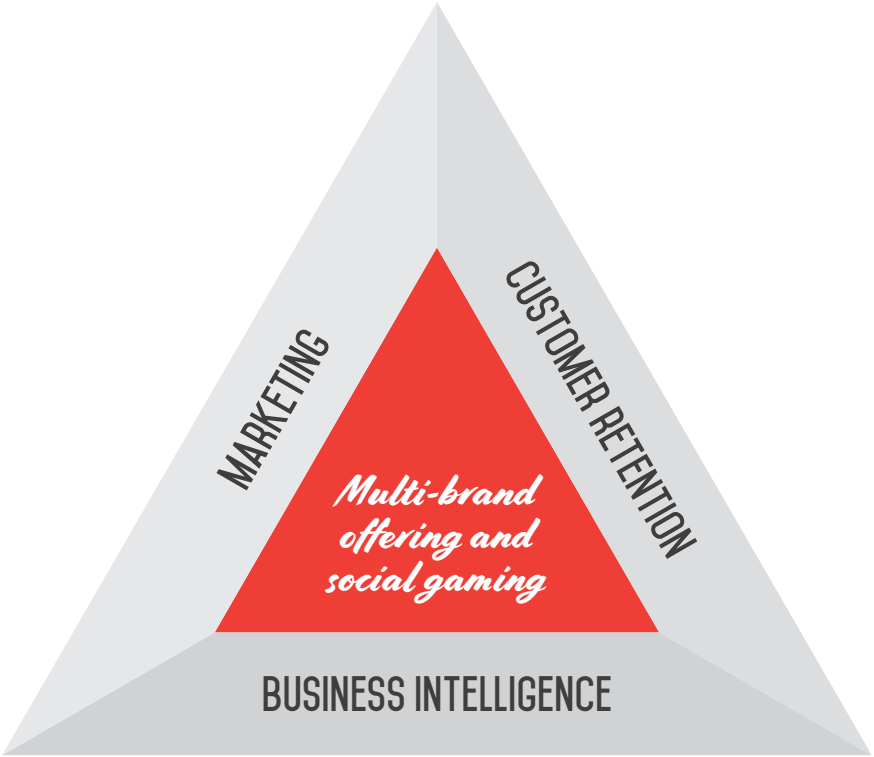
Outlook

Our strategy remains focused on growing organically and through acquisition. As well as organic growth prospects remaining strong, we believe there are significant acquisition opportunities available, and we will continue to monitor potential selective strategic acquisitions that support our existing operations or that allow us to expand into complementary verticals. We believe the outlook for the Stride Gaming Group is exciting.

Stuart Eitan Boyd
Chief Executive Officer
16 November 2015

BUSINESS MODEL

Our business model is focused on driving highly engaged users to our multi-branded offering as well as providing an entertaining gaming experience.



Proprietary Software

Stride Gaming uses its own proprietary and purchased software, which allows the Group to operate a multi-branded offering across both the real money gaming and social gaming verticals. This strategy enables the Group to optimise the business model both on acquisition of players and players' loyalty.

MARKETING

Key to the business model is the marketing mix through both offline and online means including search, affiliate marketing and TV in which we economically acquire a like-minded customer base.

CUSTOMER RETENTION

Customer Retention Management is a vital component to the business model, and by providing an entertaining gaming experience across the different brands we are thus ensuring players' satisfaction and loyalty.

BUSINESS INTELLIGENCE

Business Intelligence continues to play an important role in both attracting the right customers and in our ability to increase customer engagement by providing a personalised gaming experience.

Our business model is supported by:

Our Team

Stride Gaming prides itself on delivering a unique experience to our customers by having a team that is highly skilled, passionate and innovative.

Content

A high level of player satisfaction is achieved with proprietary gaming content including a large variety of promotions and different types of jackpots.

Distribution

Our brands are available across a multitude of platforms including the PC, big screen and small screen mobiles and via the different app stores.

Regulation

Operating only in regulated markets ensures the longevity of the operation and confidence customers have in our product offering.

THE MARKET

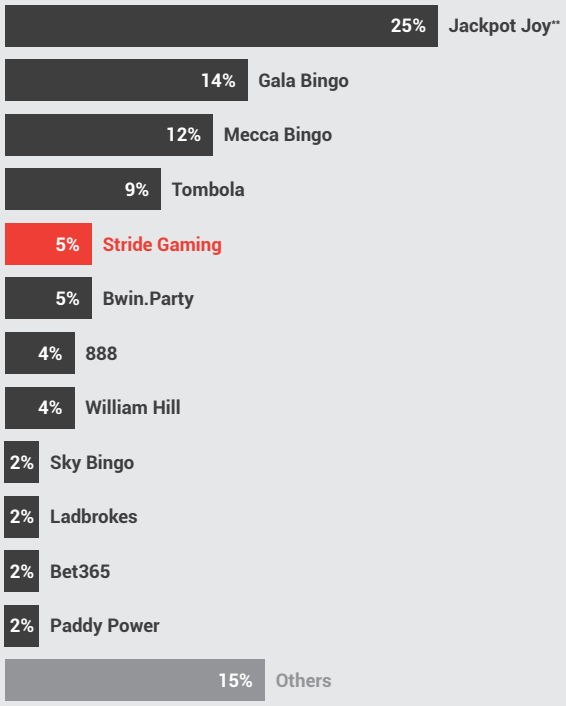
The UK total online gaming market is set to pass £3 billion by 2016, in which UK bingo-led gaming is estimated to reach 32.3% of online gaming (casino, poker, bingo led).

Source: UK Gambling Compliance Research Services Report, September 2014.

Market share

In the real money gaming vertical, the Group is focused on the UK bingo market. With its strong organic growth using a multi-branded strategy and proprietary software, together with the acquisition of TTE, it has achieved significant market penetration in a short time.

Market share*



Source: Company's estimates based on the market share breakdown for 2012 and 2013 in the Gambling Compliance Report, September 2014.

* Real money gaming market share (by NGR).

** Jackpot Joy was part of Gamesys, recently acquired by the Intertain Group (TSX:IT).

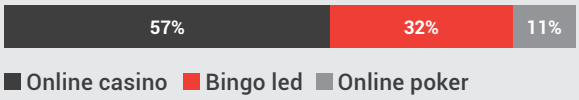
Market opportunity

Recent UK regulatory changes on real money gambling will require operators to be licensed by the UK gaming commission and incur a 15% Point of Consumption gambling tax in relation to bets made by UK customers.

Tax, compliance and new technological standards will squeeze out the smaller operators with lower margins and force larger operators to prioritise their marketing spend more towards their core product. Stride Gaming believes this presents a significant opportunity to grab market share both from organic and acquisitive growth.

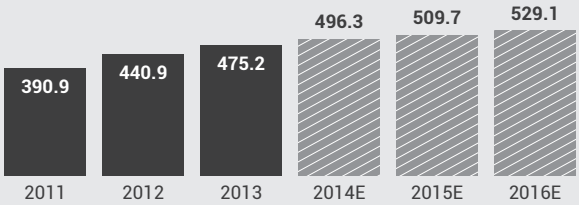
Stride Gaming, with its recognised brands, proprietary software platform and its highly experienced management team, believes it is well positioned to capitalise on this strategic opportunity.

UK online gaming (2016E)



Source: UK Gambling Compliance Research Services Report, September 2014.

The UK online bingo-led gaming market
UK online bingo-led NGR (£m)



Source: UK Gambling Compliance Research Services Report, September 2014.

STRATEGY

Our strategy is to maximise shareholder value by achieving growth through organic and acquisitive means. We aim to deliver organic growth by enhancing our proprietary platforms, and continue optimising our business model. Strategic acquisitions will allow the Company to enter new verticals and provide scale to existing verticals.

01 Organic growth

- Grab market share due to POC tax
- Entry into new regulated markets
- Expand product offering
- Enhance the mobile platform

02 Licensing of proprietary software

- License the platform on a B2B basis
- Offer white label solutions

03 Acquisitive growth

- Grow our UK bingo market share
- Entry into new verticals
- Expand into new markets
- Acquire media and technology assets

PRINCIPAL RISKS AND UNCERTAINTIES

Regulation and taxation

As a provider of online gambling services, the Group operates within a highly regulated sector. Online gambling is prohibited or restricted in some countries and regulated in others. While the Group is currently licensed in the UK and Alderney, Baldo is licensed in Italy and QSB Gaming in Spain, other foreign governments and regulatory authorities are also considering legislative and regulatory proposals that directly govern the provision of gambling and internet commerce. To monitor further changes the Group procures legal advice with regard to its activities in its principal countries of operation and monitors updates on any potential future jurisdiction where it may start accepting customers. The latter is important as the Group's growth rate, strategy and future revenue streams are, to a certain extent, affected by the regulation of new markets and the subsequent growth of end-user interest and acceptance in such newly regulated markets.

The Group currently holds licences with respect to its activities from the Alderney Gambling Control Commission and the UK Gambling Commission as a result of the recently introduced Gambling (Licensing and Advertising) Act 2014. As of 1 December 2014 the United Kingdom introduced changes to the basis on which remote gambling operators are taxed, moving from a point of supply to a point of consumption basis. The principal financial effect is increased costs in the form of a tax levied at 15% on all UK-based online revenue, which had a direct impact on adjusted EBITDA.

The Group actively monitors taxation risk and takes such steps as it considers necessary to minimise such risks.

IT systems and ensuring business continuity

The Group's business is at risk from disruption of key systems and assets on which it depends on. The functioning of the IT systems within the Group's businesses or those of third parties on which it relies could be disrupted for reasons either within or beyond their control, including, but not limited to, accidental damage, disruption to the supply of utilities or services, including the internet infrastructure, security breaches, and general systems failure. Any substantial disruptions could impact the Group's ability to generate revenue and offer services to customers, which in turn could affect the Group's reputation, performance and financial position.

To mitigate this risk, the Group will continue to invest in its IT systems and technology to ensure that the network infrastructure performs well and is reliable.

Adapting to changing technologies and user preferences

Online bingo and social gaming are both evolving products and the Group's success is dependent on its continued popularity and innovation. Failure by the Group to adapt to changing market needs and developing opportunities may have an impact on the ability to attract and retain players which could lead to a reduction in revenues and profitability.

Furthermore, with the emergence and development of new products, new technologies, or new player practices, there is a risk that the Group's existing services, products and proprietary technology may be considered obsolete.

In an industry that is characterised by the development of new products, technologies and end-user practices, the Group will continue to invest significant resources in research and development in order to enhance its technology, products and services.

Operational risks

Dependence on relations with third parties

The Group engages with a number of providers of non-proprietary third-party games and payment processing services. In the event that there is any interruption to the products or services provided by third parties, or if there are problems in supplying the products, or if one or more ceased to be provided or is provided on onerous terms to the Group, this could have an adverse effect on the Group's business and performance. To mitigate this risk, the Group uses reliable industry suppliers as well as ensuring that contractual agreements with key partners are adequate to offer protection to the Group.

Customer reliance

The Group's business is reliant on its real money players and social gamers. If for whatever reason they chose not to play the Group's sites and games in the future, then this would have a material adverse impact on the Group's financial performance. This risk is mitigated by the continuous investment in different marketing campaigns and incentives to retain key customers and attract new ones. Furthermore, the Group will remain competitive in the market, by responding to technological advances and changes in players' taste in a timely and cost-effective manner.

Retention of key personnel

The Group's future success is heavily dependent on the personal efforts and abilities of the Directors and senior management, some of whom are the founders of the Group. If any of these persons terminate their roles within the Group, or materially change or reduce their roles within the Group, the Group may not be able to replace them or their services on a timely basis with other professionals capable of making comparable contributions to the Group. Furthermore, the Group's ability to compete effectively in the markets in which it operates depends upon its ability to retain and motivate its existing workforce. Any loss of Directors or senior management could have a material adverse effect on the Group's results of operations and financial position. To mitigate this risk the Group works hard to retain its key management personnel through appropriate remuneration schemes and personal development programmes.

CHIEF FINANCIAL OFFICER'S REVIEW

Highlights

- NGR growth of 227% to £27.8 million (2014: £8.5 million)
- Adjusted EBITDA increased by 508% to £7.3 million (2014: £1.2 million)
- Strong balance sheet with gross assets of £48.7 million (2014: £5.8 million)
- Cash and cash equivalents of £7.4 million (2014: £Nil)

CORPORATE GOVERNANCE
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The Group delivered NGR growth of 227% to £27.8 million (2014: £8.5 million) for the financial period. This top line growth was a result of the acquisition of the Table Top Entertainment ("TTE") brands in September 2014, along with strong organic growth reflected in the level of player activity. Of the total NGR for 2015, £1.1 million was also attributed to the InfiApps acquisition, an international mobile social gaming company, which the Group acquired on 31 July 2015.

Cost of sales at £2.8 million (2014: £Nil) relates to the POC tax, which became effective in December 2014, part way through the 2015 financial year.

Distribution costs, including licensing, processing, royalties and marketing, totalled £9.9 million (2014: £5.7 million). The increase has been driven by marketing costs (up 55%), but is in line with our expectations, reflecting the drive to capitalise on organic growth. The Group has managed to make an incremental cost reduction as a result of the integration of the TTE sites into the Daub Alderney platform. This has taken the form of a reduction in royalty payments in relation to the software on the TTE sites, and from processing charges from Stride Gaming's payment intermediary as a result of the larger scale of the business.

Administration costs of £7.8 million (2014: £1.6 million) increased as a result of the pre-IPO reorganisation of the Stride Gaming Group during the first half of the year. Back office operations were integrated for both the legacy TTE and the Daub Alderney platform operations, which resulted in additional cost reductions for the Group. Capitalisation of proprietary software development costs at £0.25 million (2014: £Nil) represents 30% of total development spend, while amortisation of capitalised development costs was £0.02 million (2014: £Nil).

Adjusted EBITDA increased by 508% to £7.3 million (2014: £1.2 million), reflecting an Adjusted EBITDA margin of 26% (2014: 14%). The result excludes the share-based payment charge on share options provided to certain consultants and the Executive Directors of the Group (£0.3 million), one off AIM listing costs (£1.2 million),

Financial key performance indicators

	2015 £'000	2014 £'000
NGR	**27,811**	8,489
Adjusted EBITDA	**7,315**	1,191
Cash and cash equivalents	**7,388**	—
Gross assets	**48,737**	5,830

The Group delivered NGR growth of 227% to £27.8 million (2014: £8.5 million) for the financial period. Of the total NGR for 2015, £1.1 million was attributed to InfiApps, an international mobile social gaming company which the Group acquired on 31 July 2015. The Group has a strong balance sheet with gross assets of £48.7 million (2014: £5.8 million) including cash and cash equivalents of £7.4 million (2014: £Nil)."

Ronen Kannor **Chief Financial Officer**

costs associated with the acquisition of InfiApps (£1.9 million) and contingent remuneration (£0.2 million). Profit before tax is down to £0.4 million (2014: £0.8 million) as a result of exceptional costs, share-based payments and listing costs.

Group reorganisation, share placing and acquisitions

Stride Gaming plc was incorporated on 25 February 2015 in Jersey and on 19 May 2015 acquired Daub Alderney Limited, the real money gaming operator, via a share-for-share exchange including its subsidiaries, Spacebar Media Limited, Shifttech Limited, Baldo Line SRL and SRG Services Limited, which provide support services to the Group.

The Company was admitted to trading on AIM on 19 May 2015, placing 8.4 million shares raising £11.2 million (£10.6 million net of share issue costs) to support the Group's buy and build and organic growth strategy, and to provide working capital for the development of the Group's proprietary software platform offering.

Subsequent to admission, on 31 July 2015, the Group completed the acquisition of InfiApps Limited, an international mobile social gaming operator, for $22 million in cash, together with an earn-out consideration of up to another $18 million over a two-year period determined by the EBITDA generated. For the acquisition of InfiApps, an £8 million shareholder loan was received at a 7.5% annual interest rate with a two-year repayment period.

Balance sheet and cash flow

The Group has a strong balance sheet with gross assets of £48.7 million (2014: £5.8 million), including cash and cash equivalents of £7.4 million (2014: £Nil). As a result of the IPO and the TTE and InfiApps acquisitions, the acquired assets, including proprietary software, developed software and other assets, strengthened the Group's financial position.

Due to the Group's strong financial performance, substantial cash flow of £4.6 million (2014: £Nil) was generated from operating activities, reflecting a high cash conversion rate of 105%. During the period, the Group spent £0.5 million (2014: £Nil) and £0.2 million (2014: £Nil) on intangible assets and on capitalisation of internally generated development costs, respectively. Proceeds of £10.6 million (net of share issue costs) were raised during the Company's IPO through the issue of 8.4 million new shares.

In March 2015, as part of the pre-IPO reorganisation, a £7.5 million dividend was declared, partly to clear a balance from the shareholder group, with £3.0 million paid in cash.

EPS and dividend

Reported basic and diluted earnings per share was 0.948p (2014: 2.711p) and 0.931p (2014: 2.711p), respectively. As the business is cash generative and highly profitable, it is the Board's intention to adopt a progressive dividend policy in the future.

Ronen Kannor
Chief Financial Officer
16 November 2015

BOARD OF DIRECTORS

Chairman's introduction to corporate governance

There are no specific corporate governance guidelines which apply generally to companies incorporated in Jersey. However, the Directors are subject to various general fiduciary duties and duties of skill and diligence under Jersey company laws and statute.

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

The Directors support high standards of corporate governance and confirm that they comply with the recommendations on corporate governance made by the Quoted Companies Alliance as far as is practicable, taking into account the Company's size and stage of development. The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. To this end, the Board holds regular Board meetings and has established Remuneration and Audit Committees. Details on the composition of the Board and reports from the Chairs of the Remuneration and Audit Committees follow this Corporate Governance Statement.

Nigel Payne
Non-Executive Chairman

Key to Committees

- A — Audit Committee Chairman
- A — Audit Committee
- R — Remuneration Committee Chairman
- R — Remuneration Committee

Nigel Terrence Payne — Non-Executive Chairman

Nigel has over 24 years of experience as a director of both publicly listed and private companies. He has extensive experience of listing companies and fund raising, notably in his current role as non-executive director of AIM-quoted Gama Aviation Plc and previously as CEO of Sportingbet Plc.

Sportingbet was one of the world's largest internet gambling companies and made a number of acquisitions whilst listed on the London Stock Exchange (both FTSE listed and AIM quoted).

Nigel holds an Executive MBA from the IMD Business School (Lausanne, Switzerland) and a degree in economics and accounting from the University of Bristol.

Stuart Eitan Boyd — Chief Executive Officer

Eitan has over 15 years of experience in the gambling sector. He was a founder of the GlobalCom bingo network (now the Dragonfish platform), one of the largest bingo networks worldwide, which was sold to 888 Holdings plc for $42 million in 2007. He was responsible for building the Wink Bingo network until it was sold to 888 Holdings plc for £60 million in 2010. He is highly experienced in driving product design, marketing, processes and customer services thus ensuring high level of satisfaction from both clients and investors.

Eitan is a graduate of the Accelerated Development Program at Chicago Booth Business School (London, England) and holds a BA Honours degree in Economics from Tel Aviv University. He was recently awarded the Small Business Person of the Week by the Independent and participates in the LSE ELITE program.

John Le Poidevin Non-Executive Director

John is a Fellow of the Institute of Chartered Accountants in England and Wales and a former partner in a major accounting firm where, as Head of Consumer Markets, he developed an extensive breadth of experience and knowledge across the leisure and retail sectors in the UK and overseas. John is now a non-executive on several boards, primarily of consumer or online technology related businesses and he therefore brings a wealth of relevant experience both to the sector in which the Group operates and in terms of corporate governance, audit, risk and financial reporting. Furthermore, he has previously advised on the flotations of a number of UK and international companies including 888 Holdings Plc.

Adam Batty Non-Executive Director

Adam is currently general counsel and company secretary at Selfridges Group, where he is a member of the Selfridges Group executive team and a director of their main operating companies.

A corporate lawyer by training, Adam worked in private practice at Norton Rose Fulbright and in an investment bank before joining Mitchells & Butlers PLC in 2002 where he spent five years as legal director (and, latterly, risk and compliance director), before joining the Domino's Pizza Group Plc in 2007 where he spent five years as general counsel and company secretary, which involved being a member of their operating boards in the UK, Germany and Switzerland.

Ronen Kannor Chief Financial Officer

Ronen joined Stride Gaming at the end of October 2014 and has over twelve years' experience in financial management roles within the real estate and business intelligence sectors.

He has wide ranging CFO experience in all aspects of financial and operational management in a number of companies, including KC Development Inc, Publicis Group and Ernst & Young (Israel branch).

Ronen holds an MBA in accounting and finance from the Tel Aviv College of Management, is a Certified Public Accountant (The Institute of Certified Public Accountants, Israel) and holds a BBA in accounting and finance from the Tel Aviv College of Management.

Darren Brett Sims Chief Operating Officer

Darren has over ten years' experience in the gambling sector. He was instrumental in the sale of GlobalCom Limited to 888 Holdings Plc.

As vice president of bingo within 888, he was responsible for the integration of the GlobalCom Limited business, the launch of the 888.com bingo vertical and was part of the team that established the Dragonfish Technology – the B2B arm of 888 Holdings Plc.

Upon completion of his contract with 888 Holdings Plc, he returned to Spacebar Media, where he rejoined Eitan Boyd just prior to the sale of Wink Bingo to 888 Holdings Plc. He holds a Bachelor of Commerce (Honours) degree from the University of Witwatersrand, South Africa.

STATEMENT FROM THE CHAIR OF THE REMUNERATION COMMITTEE

Year ended 31 August 2015

Below is set out the annual report of the Remuneration Committee. The report comprises a description of how the Committee operates; a brief overview of the remuneration policy; and details of compensation paid to the Board of Directors within the financial year.

On admission to AIM, the Committee provided share options to Executive Directors, aligning their interests with shareholders in terms of value creation in the crucial post-listing period, with a broader review of the remuneration policy to follow during the year. This review was undertaken during summer 2015 with a view to ensure the remuneration levels set were competitive, recognised the skills and experience of the Executive Directors and reflected the Company's status on AIM. The Committee further reviewed the operation of variable incentive plans to ensure they have the correct link between performance and reward.

As a result of this review, the Committee proposed some changes to the operation of the policy for FY15/16, which are summarised below:

- increases to base salaries which set them in line with equivalent roles at companies of a similar size and complexity, recognising the capabilities and strong performance to date;
- introduction of a pension contribution;
- annual bonus maximum quantum to be set by reference to each individual's salary, with performance assessed against a combination of financial and non-financial measures linked to the Company's KPIs;
- an annual award of performance shares subject to a combination of measures assessed over a three year performance period; and
- an increase in the fees paid to Non-Executive Directors, reflecting the increased time commitments as an established AIM-listed company.

The Committee is satisfied that the revised remuneration policy operates in such a way as to incentivise Company growth and development, and reward for strong performance. The first annual award of performance shares will be made in the 2015/16 financial year, and this will further serve to align Directors' interests with those of the Company and its shareholders.

Remuneration Committee report

The Remuneration Committee (the "Committee") is appointed by the Board, and is formed of Non-Executive Directors. In the year the Committee was chaired by Adam Batty; the other members of the Committee were Nigel Payne and John Le Poidevin.

The Committee met three times during the year and all Committee members attended every meeting. The Committee's terms of reference are available for public inspection on the Company's website at www.stridegaming.com.

Other members of the Board of Directors are invited to attend meetings when appropriate, but no Director is present when his or her remuneration is discussed. New Bridge Street ("NBS"), a part of Aon Hewitt Limited, provided advice to the Committee during the year. NBS is a signatory to the Remuneration Consultants' Group code of conduct and has no other connection with the Company other than in the provision of advice on remuneration.

The Committee's principal duties are as follows:

- to review and make recommendations in relation to the Company's Senior Executive remuneration policy;
- to apply these recommendations when setting the specific remuneration packages for each Executive Director, the Company Chairman and other selected members of senior management and to include annual bonuses, the eligibility requirements for long-term incentive schemes, pension rights, contracts of employment and any compensation payments;
- to ensure that the remuneration policy is aligned with the short and long-term strategy of the Company;
- to manage performance measurements and make awards under the Company's annual bonus and long-term incentive plans;
- to consult with key shareholders with regards to remuneration where appropriate and take their views into account; and
- to manage reporting and disclosure requirements relating to Executive remuneration.

Pay policy

The remuneration policy is designed to provide an appropriate level of compensation to senior management such that they are sufficiently incentivised and rewarded for their strong performance, responsibility and experience. Using appropriate measures of performance as well as equity-based rewards helps to align the interests of the Directors with those of the Company's shareholders.

The Committee has taken into account market data when setting remuneration levels, positioning Executives' pay at a broadly mid-market level relative to similar-sized AIM-listed companies, as well as those from the gaming sector. This provides a package which is both fair and competitive within the market.

Base salary

Base salaries are reviewed on an annual basis, and any increases become effective from the start of the financial year. From 1 September 2015, Eitan Boyd and Darren Sims are entitled to a base salary of £250,000 and Ronen Kannor is entitled to a base salary of £150,000.

Pension and benefits

From 1 September 2015 Executive Directors will be entitled to a pension contribution of up to 10% of salary in the form of a defined contribution to a pension plan and/or as a cash supplement. Additionally, the Executives are entitled to benefits in kind, including the provision of life assurance, group income protection and private medical and dental insurance.

Annual bonus

The remuneration policy allows the Committee, at its discretion, to make annual cash bonus awards to the Executive Directors, which will normally be limited to a value of 100% of salary per annum.

Stretching performance targets are determined by the Committee at the start of the financial year, which are fully aligned with the Company's strategy and objectives. These targets are typically financial in nature (e.g. Adjusted EBITDA), with a minority of the bonus payable for the achievement of qualitative strategic and personal performance targets. For financial targets a sliding scale target range will be used, with no bonus payable for this element unless a threshold level of performance is achieved.

The Committee retains the discretion to increase a bonus to 125% of salary in exceptional circumstances where actual performance significantly exceeds targets set at the start of the financial year. It is intended that this flexibility would only be used in limited scenarios, reflecting the dynamic nature of the market.

Long-term incentives

The Executives received an award of share options at IPO, which vest in equal tranches on the first, second and third anniversaries of listing. These awards were intended to reward Executives for successful completion of the IPO and to promote and incentivise future share price growth.

The Company will make an annual long-term incentive award in the 2015/16 financial year. This will be in the form of performance shares, with a three year vesting period, subject to stretching performance conditions set at the time of grant, which are likely to include metrics based on financial performance in line with our key objectives of delivering returns to our shareholders through achievement of our growth strategy and continued service. The Committee believes these performance measures will help to drive strong performance over the long term.

The initial awards of performance shares are expected to be made at a face value of 100% of salary for Executive Directors.

Non-Executive Director fees

Fees for Non-Executive Directors are set with reference to market data, time commitment, and chairmanship of Board Committees.

From 1 September 2015, the Chairman of the Board, Nigel Payne, is eligible for a fee of £48,000 per annum. The two other Non-Executive Directors, Adam Batty and John Le Poidevin, are eligible for annual fees of £42,000. Other than this fee, and appropriate travel expenses to and from Board meetings, no additional compensation will be payable.

Pay and conditions elsewhere in the Company

The Committee takes into account remuneration conditions within the Company as a whole when determining Executive pay levels. Other members of staff are eligible for annual bonuses based on business and personal performance.

Service agreements

The Executive Directors' service agreements provide that their employment with the Company is on a rolling basis, subject to written notice being served by either party of not less than six months.

The current service contracts and letters of appointment include the following terms:

		Date of contract	Notice period
Executive Directors	Eitan Boyd	11 May 2015	six months
	Darren Sims	11 May 2015	six months
	Ronen Kannor	11 May 2015	six months
Non-Executives	Adam Batty	19 May 2015	three months
	Nigel Payne	8 May 2015	three months
	John Le Poidevin	19 May 2015	three months

Under these service contracts, the Company may terminate an Executive Director's employment immediately by making a payment in lieu of base salary, benefits and statutory entitlements, and any bonus or commission payments pro-rated for the duration of the notice period. No bonus would be payable in the event of an Executive Director's resignation. The Company has agreed that for the financial year ending 31 August 2016 the total remuneration payable to Darren Sims shall be equal to the total remuneration payable to the CEO. Post-terminative restrictive covenants also apply for a six-month period.

STATEMENT FROM THE CHAIR OF THE REMUNERATION COMMITTEE CONTINUED

Year ended 31 August 2015

Directors' Remuneration Report

The Directors received the following remuneration for the financial year ended 31 August 2015:

	Salary and fees[4] £'000	Benefits in kind[1] £'000	Pension £'000	Annual bonus[2] £'000	Share-based payments[3] £'000	**2015 total £'000**	2014 total £'000
Executive Directors							
Eitan Boyd	117	2	6	252	66	**443**	–
Darren Sims	114	2	6	252	66	**440**	–
Ronen Kannor	69	1	3	156	45	**274**	–
Non-Executives							
Adam Batty	7	–	–	15	–	**22**	–
Nigel Payne	16	–	–	15	–	**31**	–
John Le Poidevin	13	–	–	15	–	**28**	–
Aggregate emoluments	336	5	15	705	177	**1,238**	–

1 Including the provision of life assurance, group income protection, and private medical and dental insurance.

2 Represents the annual bonus payable in December 2015 for performance up to the end of the 2014/15 financial year.

3 Represents the cost of awarding share options during the year.

4 The amounts in this table cover the period from 1 February 2015 to 31 August 2015.

Outstanding share-based awards

The following share-based payment awards were outstanding during the year:

	Award type	Date of grant	At admission	Granted in year	Lapsed in year	Vested in year	At year end	Market price at date of grant	Exercise price
Eitan Boyd	Share options	18 May 2015	750,000	–	–	–	750,000	£1.32	£1.32
Darren Sims	Share options	18 May 2015	750,000	–	–	–	750,000	£1.32	£1.32
Ronen Kannor	Share options	18 May 2015	500,000	–	–	–	500,000	£1.32	£1.32

Statement of Directors' interests

The table below sets out the beneficial interests in shares and the fully vested share options of all Directors holding office as at 31 August 2015.

	Ordinary shares		Unexercised share options		Total interests	
	On admission and 31 August 2015	At 31 August 2014	**On admission and 31 August 2015**	At 31 August 2014	**On admission and 31 August 2015**	At 31 August 2014
Eitan Boyd	**2,249,999**	–	**–**	–	**2,249,999**	–
Darren Sims	**937,498**	–	**–**	–	**937,498**	–
Ronen Kannor	**–**	–	**–**	–	**–**	–
Adam Batty	**22,727**	–	**–**	–	**22,727**	–
Nigel Payne	**–**	–	**–**	–	**–**	–
John Le Poidevin	**37,879**	–	**–**	–	**37,879**	–

STATEMENT FROM THE CHAIR OF THE AUDIT COMMITTEE

Year ended 31 August 2015

This is the first report of the Audit Committee following the Company's flotation on AIM in May 2015.

The Committee has responsibility for, amongst other things, the planning of, reviewing and reporting to the Board on financial reporting, internal financial control and risk management, and the involvement of the Company's auditor in that process. The Committee focuses in particular on compliance with corporate governance, accounting standards and legal requirements, together with maintaining an effective system of internal financial control.

The Committee advises the Board on the statement by the Directors that the annual report, when read as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy. The ultimate responsibility for reviewing and approving the annual report and the half-yearly report remains with the Board as a whole.

The Committee also has responsibility for the consideration of the requirement for, and scope of, the internal audit and for reviewing the performance, independence and effectiveness of the external auditor.

In the short period since flotation, our focus has been to work with management and the external auditor to plan for and monitor the integrity of the half-yearly report issued in May 2015 and the annual report and financial statements for the year ended 31 August 2015 and the audit thereof.

Our programme for the 2015/16 year includes a review of the financial risks and internal control framework to manage those risks, work on which has already commenced and we expect to conclude in the first six months of our financial year. As part of this review we will also consider and keep a watching brief over the need for an internal audit.

Introduction

All three Non-Executive Directors are members of the Audit Committee. The Committee was formed in May 2015 and met once in the four months prior to the year end and, subsequent to the year end, has met on two further occasions. All Committee members attended every meeting. The Committee's terms of reference are available for public inspection on the Company's website at www.stridegaming.com.

John Le Poidevin, as a Fellow of the Institute of Chartered Accountants in England and Wales, former audit partner and chair of other public company audit committees, has recent and relevant financial experience. Both Nigel Payne and Adam Batty have many years of relevant financial and audit committee experience and Nigel is also a Chartered Accountant.

By invitation of the Audit Committee Chair, Ronen Kannor, the Chief Financial Officer, has attended all Committee meetings held to date, as did representatives of BDO LLP, the external auditor. Other Executive Directors have been invited to attend Committee meetings where relevant for them to do so. The Audit Committee also meets with the external auditor without any Executive Directors present and the Audit Committee Chair met with BDO separately on several occasions to discuss matters, including the audit process.

Key activities during the period

With there being less than four months between the flotation on AIM and the Company's year end of 31 August 2015, the focus of the Audit Committee's activities during the period has been centred around the effective planning, implementation and review of our financial reporting processes.

During the period we have:

- reviewed and monitored the integrity of the published financial information, including the half-yearly report, the preliminary announcement and the annual report and financial statements;
- considered the independence and objectivity of the external auditor;
- planned for the Company's year end and reviewed the audit plan;
- assessed the key risks which could have a material impact on the financial statements; and
- reviewed significant issues and areas of judgement applied in the preparation of the financial statements.

Financial reporting and significant financial judgements

Set out below are the significant issues considered by the Audit Committee and discussed with the external auditor in relation to the financial statements and how these were then subsequently addressed.

Revenue recognition

Revenue recognition gives rise to a risk over completeness, existence, accuracy and presentation in the statement of comprehensive income of net gaming revenue and also involves judgements as to estimates and treatment of certain customer bonuses and the liability required in respect of progressive jackpots. With the acquisition of InfiApps Limited, the Group also has a new "social" revenue stream, which requires judgement over the recognition policy to be adopted with regard to the game offerings and contractual arrangements with customers.

STATEMENT FROM THE CHAIR OF THE AUDIT COMMITTEE CONTINUED

Year ended 31 August 2015

Financial reporting and significant financial judgements continued

Revenue recognition continued

The Committee reviewed the internal control procedures in respect of revenue recognition and discussed with management and the external auditor the accounting policies adopted and judgements made in respect of revenue recognition for both the real money and social gaming revenue streams and confirmed that they are appropriate and in line with relevant accounting standards and industry practice.

Business combinations

The Group has undertaken a number of acquisitions and Group restructurings in the year to 31 August 2015, which gives rise to risk in terms of ensuring the application of the appropriate accounting treatment, assessing the fair values of assets and liabilities and consideration at the time of acquisition and, subsequently, at the period of the resultant goodwill and any impairment thereof.

The Committee discussed with management its approach to determining the fair value of the assets and liabilities of the various acquisitions in the period, including consideration of any external reports commissioned, any contingent consideration involved and the underlying assumptions adopted by management in assessing the carrying value of goodwill. The Committee discussed these with the auditor and confirmed how these assumptions compared with industry standards and were supported by historical trends within the businesses acquired.

Capitalisation of software development costs

The Group incurred external and internal software development costs during the period that it is required to capitalise if they meet the criteria of IAS 38 and which in turn gives rise to a risk that costs are not capitalised in line with these requirements.

The Committee reviewed the controls and processes in respect of the Group's review of costs capitalised as software development expenditure and management's judgements of how these costs met the criteria of IAS 38. The Committee also discussed with the external auditor the reasonableness of the amortisation period used for each project where costs have been capitalised and confirmed that they were appropriate and in line with industry standards.

Other issues

In addition to the above items, other areas considered by the Committee in relation to the financial statements included the adequacy of tax provisions and disclosures, the completeness of related party disclosures, the treatment of share issue and IPO costs and the fair value of share options granted in the period.

Internal control and risk review process

Whilst the Committee is responsible for reviewing the financial risks and internal controls to mitigate these, the Board as a whole is responsible for reviewing the overall business risks and risk management procedures. The Group's principal risks and uncertainties, together with mitigating actions and the internal controls and risk management procedures, are set out on page 13 of the annual report.

External auditor and independence

The Committee reviewed the effectiveness of the auditor following the Company's flotation in May 2015 and satisfied itself that the auditor was delivering an effective service. Subsequent discussions was held with both management and the external auditor to agree how an effective service would be delivered as part of the planning for the year-end audit process. The Committee continues to be satisfied that the auditor is delivering the necessary level of service, scrupulousness and robust challenge in its work. An annual review of ongoing audit services will be carried out by the Committee, together with a formal assessment of the external auditor's independence.

The external auditor acted as reporting accountant on the Company's AIM flotation and has also provided tax advisory and due diligence services during the financial reporting period. The analysis of audit, audit-related and non-audit fees is provided in note 3 to the financial statements. The Group has engaged a number of other accounting firms to carry out such work during the reporting period and the Committee satisfied itself that where the external auditor carried out non-audit work that it undertook its standard independence procedures in relation to those engagements and that they were selected by the Company on the basis of specific expertise or familiarity with the areas under review. The Committee required the external auditor to confirm in writing that it remained independent in its scrutiny of the financial statements and had sufficient policies and procedures in place, including the use of separate teams and different engagement partners for any non-audit work. The Committee was satisfied that the external auditor's independence and objectivity were not compromised by the non-audit work undertaken in the financial period.

John Le Poidevin
Chairman of the Audit Committee
16 November 2015

DIRECTORS' REPORT

Year ended 31 August 2015

The Directors present their report and consolidated financial statements for the year ended 31 August 2015.

Principal activities and review of the business

The Group's principal activities during the year continued to be that of an online, real money, bingo-led operator, with expansion into social gaming following the acquisition of InfiApps Ltd on 31 July 2015. A review of the business and a description of the principal risks and uncertainties are set out in the Chairman's Statement and the Chief Executive's Statement.

Results and dividends

The profit for the year, after taxation and exceptional items, amounted to £415,000 (2014: £846,000). A pre-IPO dividend of £7.5 million was declared in the year ended 31 August 2015 (2014: £Nil). The Board is not recommending a final dividend. Further details of the results for the year are included in the Chairman's, Chief Executive's and Chief Financial Officer's statements.

Future developments

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

Directors' interests and remuneration

Details of the Directors' interests and remuneration are included in the Statement from the Chair of the Remuneration Committee.

Political and charitable donations

During the year, the Company made charitable contributions totalling £17,786 (2014: £Nil).

Disclosures to auditor

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

BDO LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed for the Annual General Meeting.

Financial instruments

Details of the Group's financial risk management objectives and policies are included in note 21 to the financial statements.

Events after reporting date

For significant events after the reporting period please refer to note 25 of the financial statements.

Going concern

The Board is satisfied that the Group has adequate financial resources to continue to operate for the foreseeable future and is financially sound. For this reason, the going concern basis is considered appropriate for the preparation of financial statements.

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual reports and the Group financial statements in accordance with applicable law and regulations. Jersey company law requires the Directors to prepare accounts for each financial period. Under that law, and as required by the AIM Rules for Companies, the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU"). In preparing these financial statements, the Directors are required to:

- present fairly the Group financial position, financial performance and cash flows;
- select suitable accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs, as adopted by the EU, is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state whether the Group financial statements have been prepared in accordance with IFRSs, as adopted by the EU, subject to any material departures disclosed and explained in the financial statements.

Website publication

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

Approval and signature

Ronen Kannor
Chief Financial Officer
16 November 2015

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 August 2015

Independent auditor's report to the members of Stride Gaming plc

We have audited the accompanying consolidated financial statements of Stride Gaming Plc and its subsidiaries for the year ended 31 August 2015 which comprise of the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended and related notes. The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

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

Scope of the audit of the consolidated financial statements

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the consolidated financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited consolidated financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on consolidated financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 August 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Opinion on other matters

In our opinion other information given in the annual report is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the consolidated financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Kieran Storan (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
55 Baker Street
London
United Kingdom
16 November 2015

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 August 2015

	Note	2015 £'000	2014 £'000
Net gaming revenue	1	**27,811**	8,489
Cost of sales		**(2,753)**	–
Gross profit		**25,058**	8,489
Distribution costs	3	**(9,896)**	(5,679)
Administrative expenses	3	**(7,847)**	(1,619)
Adjusted EBITDA		**7,315**	1,191
Share-based payments	3	**(306)**	–
Acquisition costs	3	**(1,893)**	–
Contingent remuneration	3	**(217)**	–
Listing costs	3	**(1,179)**	(90)
Amortisation of intangible assets	3	**(2,520)**	(255)
Depreciation	3	**(47)**	–
Operating profit		**1,153**	846
Finance expense	5	**(793)**	–
Profit before tax		**360**	846
Tax credit	8	**55**	–
Profit after tax		**415**	846
Other comprehensive income:			
Items that will or may be reclassified to profit or loss		**–**	–
Exchange gains arising on translation of foreign operations		**7**	–
Total comprehensive income for the period attributable to the equity holders of the parent entity		**422**	846
Earnings per Share (p)	9		
Basic		**0.948**	2.711
Diluted		**0.931**	2.711

The notes on pages 29 to 51 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 August 2015

	Note	2015 £'000	2014 £'000
ASSETS			
Non-current assets			
Property plant and equipment	11	**234**	–
Intangible assets	12	**36,367**	–
Other receivables	14	**248**	83
Deferred tax asset	18	**231**	–
Available-for-sale investments	6	**–**	–
		37,080	83
Current assets			
Trade and other receivables	14	**4,241**	5,747
Income tax receivable		**28**	–
Cash and cash equivalents	16	**7,388**	–
		11,657	5,747
Total assets		**48,737**	5,830
LIABILITIES			
Non-current liabilities			
Trade and other payables	15	**100**	–
Loans and borrowings	17	**8,000**	–
Deferred tax liability	18	**2,133**	–
		10,233	–
Current liabilities			
Trade and other payables	15	**6,585**	1,242
Income tax payable		**33**	–
Loans and borrowings	17	**1,083**	–
		7,701	1,242
Total liabilities		**17,934**	1,242
Net assets		**30,803**	4,588
Issued capital and reserves attributable to owners of the parent			
Share capital	19	**502**	312
Share premium		**10,608**	–
Merger reserve		**3,013**	(312)
Shares to be issued		**4,132**	–
Capital contribution		**14,271**	6,999
Share option reserve		**266**	–
Foreign currency translation reserve		**7**	–
Retained earnings		**(1,996)**	(2,411)
Total equity		**30,803**	4,588

The notes on pages 29 to 51 form part of these financial statements.

Approved by the Board on 16 November 2015 and signed on its behalf by:

Ronen Kannor
Director

Stuart Eitan Boyd
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 August 2015

	Note	2015 £'000	2014 £'000
Cash flows from operating activities			
Profit for the year		**415**	846
Adjustments for:			
Depreciation of property, plant and equipment	11	**47**	–
Amortisation of intangible assets	12	**2,520**	255
Finance expense	5	**793**	–
Share-based payment expense		**266**	–
Income tax credit	8	**(55)**	–
		3,986	1,101
Increase in trade and other receivables		**(2,450)**	(1,339)
Decrease in trade and other payables		**3,080**	238
Cash generated from operations		**4,616**	–
Income taxes paid		**(68)**	–
Net cash flows from operating activities		**4,548**	–
Investing activities			
Acquisition of subsidiaries, net of cash acquired	23	**(18,061)**	–
Purchases of property, plant and equipment	11	**(83)**	–
Purchase of intangibles	12	**(467)**	–
Capitalised development costs	12	**(246)**	–
Net cash used in investing activities		**(18,857)**	–
Financing activities			
Issue of ordinary shares, net of issue costs		**10,693**	–
Capital contribution from shareholder		**6,000**	–
Proceeds from borrowings		**8,000**	–
Dividends paid	10	**(3,000)**	–
Net cash from financing activities		**21,693**	–
Net increase in cash and cash equivalents		**7,384**	–
Cash and cash equivalents at beginning of year		**–**	–
Exchange gains on cash and cash equivalents		**4**	–
Cash and cash equivalents at end of year	16	**7,388**	–

A description of the significant non-cash movements is given in note 26.

The notes on pages 29 to 51 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 August 2015

	Share capital £'000	Share premium £'000	Merger reserve £'000	Shares to be issued reserve £'000	Capital contribution reserve £'000	Share option reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total equity £'000
1 September 2013	312	–	(312)	–	4,999	–	–	(3,257)	1,742
Total comprehensive income for the year	–	–	–	–	–	–	–	846	846
Capital contribution	–	–	–	–	2,000	–	–	–	2,000
At 31 August 2014	312	–	(312)	–	6,999	–	–	(2,411)	4,588
Profit for the year	–	–	–	–	–	–	–	415	415
Other comprehensive income	–	–	–	–	–	–	7	–	7
Total comprehensive income for the year	–	–	–	–	–	–	7	415	422
Contributions by and distributions to owners									
Dividends	–	–	–	–	(7,500)	–	–	–	(7,500)
Acquisition of business through issue of shares	105	–	3,325	–	–	–	–	–	3,430
Acquisition of intangible assets for shares	–	–	–	4,132	–	–	–	–	4,132
Capital contribution	–	–	–	–	14,772	–	–	–	14,772
Share-based payment	–	–	–	–	–	266	–	–	266
Issue of shares, net of share issue costs	85	10,608	–	–	–	–	–	–	10,693
At 31 August 2015	**502**	**10,608**	**3,013**	**4,132**	**14,271**	**266**	**7**	**(1,996)**	30,803

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

Share premium Amount subscribed for share capital in excess of nominal value.

Merger reserve Represents the difference between the nominal value of shares acquired by the Company in the share-for-share exchange with Daub Alderney Limited and the nominal value of shares issued to acquire them as well the satisfaction of the initial consideration in respect of the acquisition of the trade and assets of Table Top Entertainment Limited.

Shares to be issued Represents the shares to be issued in respect of the acquisition of certain intangibles assets.

Capital contribution Represents the release of the Group's obligation to repay borrowings of £6,999,000, the contribution by a shareholder of the entire share capital of Baldo Line SRL, the cash contribution by a shareholder to acquire Spacebar Media Limited and the £8,454,786 payment made in the form of shares by the shareholders to settle obligations following the acquisition of Table Top Entertainment Limited (Refer to note 23).

Share options Represents the fair value of awards made under the Goup's share option scheme (Refer to note 22).

Foreign currency translation reserve Gains/losses arising on retranslating the net assets of overseas operations into Sterling.

Retained earnings All other net gains and losses and transactions with owners not recognised anywhere else.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 31 August 2015

1 Accounting policies

Legal status

Stride Gaming Plc which includes its subsidiaries and together forms the "Group" is a public limited liability company incorporated in Jersey. Stride Gaming Plc was incorporated under Companies (Jersey) Law 1991 on 25 February 2015. The address of its registered office is 12 Castle Street, St Helier, Jersey JE2 3RT. Stride Gaming Plc shares are listed on the Alternative Investment Market ("AIM") of the London Stock Exchange. The Company is not required to present parent company information.

Basis of preparation

Stride Gaming plc was incorporated on 25 February 2015 and subsequent to this on 19 May 2015 acquired, via a share-for-share exchange, the entire share capital of the Group headed by Daub Alderney Limited. Following this Group reorganisation the financial statements for the period ended 31 August 2015 have been prepared on a merger accounting basis as though this Group structure had always been in place (see below for further details) and a full year of results is therefore presented. The prior year comparatives represent the results of Daub Alderney Limited.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below and have been prepared on a historical cost basis. The policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in Sterling, which is also the parent's functional currency and amounts are rounded to the nearest thousand, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (collectively IFRSs) as adopted by the European Union, International Accounting Standards and Interpretations and in accordance with the requirements of the Companies (Jersey) Law 1991.

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

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 September 2014

Where relevant, new standards and amendments to existing IFRS standards that have been published and are mandatory for the first time for the financial year beginning 1 September 2014 have been adopted, but had no significant impact to the Group accounts.

b) New standards, interpretations and amendments not yet effective

New standards, amendments to standards and interpretations that have been issued but are not yet effective (and in some cases have not yet been adopted by the EU) including IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* have not been early adopted and the Directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods.

Basis of consolidation

Group reorganisation

The consolidated financial statements shows the combination of Stride Gaming plc and Daub Alderney Limited following the share for share exchange completed on 19 May 2015 which 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*, the consolidated financial statements have been prepared using the principles of merger accounting set out in FRS 102 Section 19 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 from the date common control was achieved. The corresponding figures for the previous period 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 the nominal value of shares issued by the Company to acquire them are taken to a separate merger reserve.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

1 Accounting policies continued

Basis of consolidation continued

Acquisition of subsidiaries

A subsidiary is an entity controlled directly or indirectly by the Company. Control is achieved if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the income statement as incurred. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date that control was obtained to the date that control was lost, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

Common control transactions

Baldo Line SRL a 100% owned subsidiary was contributed to the Group by the former controlling shareholder. As this is a common control transaction it is 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*, the consolidated financial statements have been prepared using the principles of merger accounting set out in FRS 102 Section 19 and UK GAAP. The Group has therefore recognised the book value of assets and liabilities with a corresponding capital contribution being recorded.

The 24.5% shareholding in QSB Gaming Limited was also contributed to the Group in the year. The investment met the definition of an available-for-sale financial asset and was therefore recorded at fair value on initial recognition.

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the financial reporting date. Non-monetary assets and liabilities are translated using exchange rates prevailing at the date of the transactions. Foreign exchange differences arising on translation are recognised in the profit or loss account. On consolidation, the results of foreign operations are translated into Sterling at rates ruling when the transaction took place. All assets and liabilities of foreign 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 foreign operations at the actual rate are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign currency translation reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of profit or loss and other comprehensive income and included in the computation of the profit or loss on disposal.

Revenue recognition

Net gaming revenue ("NGR") is derived from online gambling operations and is defined as the difference between the amounts of bets placed by the players less the amount won by players. It is stated after deduction of certain bonuses, jackpots and prizes granted to players. Revenue is recognised in the accounting periods in which the transactions occur.

Social gaming revenue is derived from the purchase of credits and awards on the social gaming sites. Social gaming revenue is recognised to the extent that it is probable economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is recognised in the accounting periods in which the transactions occur.

Cost of sales

Cost of sales consists primarily of gaming duties.

Distribution costs

Distribution costs represent the costs of delivering the service to the customer and primarily consist of processing and royalty fees, promotional and advertising costs together with gaming and other regulatory costs all of which are recognised on an accruals basis.

1 Accounting policies continued

Administrative expenses
Administrative expenses consist primarily of staff costs, corporate and professional expenses, all of which are recognised on an accruals basis.

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 attributable of any non-controlling interests in the acquisition and dependent on the terms of the sale and purchase agreement, deferred and contingent consideration.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the profit and loss account. Costs incurred in respect of the acquisition are expensed in full in the period of acquisition.

Contingent consideration
When contingent consideration arising on a business combination requires no ongoing employment requirements from the former owners in order to receive payment, the fair value of contingent consideration is included within cost at acquisition date.

Contingent consideration is reviewed at the end of each accounting period as the consideration payable and any subsequent adjustments are recognised in profit or loss account.

When the former owners of an acquired subsidiary are required to remain in employment at each of the deferred or contingent consideration payment dates the fair value of contingent consideration is built up over the period of service to the date of payment with a corresponding charge to the profit or loss account. When future service is required, this is described in the financial statements as contingent remuneration.

Externally acquired intangible assets
Externally acquired intangible assets including intellectual property rights, developed software applications and licenses 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 3–5 years or over the length of the license.

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).

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

Intangible asset	Useful economic life	Valuation method
Brands	4 years	Discounted cash flows
Developed software	3–10 years	Relief from royalty
Customer relationship	5–10 years	Discounted cash flows
Contractual relationship	5–10 years	Discounted cash flows

Amortisation is charged to the profit or loss during the financial period to which it relates.

Internally generated intangible assets (development costs)
Expenditure on internally developed products is capitalised if it can be demonstrated that:

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

Capitalised development costs are amortised over the periods the Group expects to benefit from the assets generated, being three years.

Development expenditure not satisfying the above criteria is recognised in the consolidated statement of profit or loss and other comprehensive income as incurred.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

1 Accounting policies continued

Property, plant and equipment

All property, plant and equipment is stated at cost less accumulated depreciation. 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	— 20–25% 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 profit or loss 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 profit or loss.

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 be impaired and hence not 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 to its recoverable amount.

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 unit ("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 the profit or loss account, 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.

Financial assets

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 profit or loss account 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 held at bank, 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.

1 Accounting policies continued

Financial instruments continued

Financial assets continued

Available for sale

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

Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognised in other comprehensive income, is recognised in profit or loss.

On sale, the cumulative gain or loss recognised in other comprehensive income is reclassified from the available-for-sale reserve to profit or loss.

Financial liabilities:

Trade and other payables

Trade payables are initially measured at their fair value and are subsequently measured at 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. Player liabilities are the amounts that customers place in their accounts along with any bonuses and progressive jackpots. These liabilities are recognised initially at fair value and subsequently at amortised cost.

Loans and borrowings

Loans and borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position.

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 consolidated statement of profit or loss and other 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 reporting date.

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 reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity through other comprehensive income.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information 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 consolidated statement of profit or loss and other comprehensive income 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 consolidated statement of financial position date and are expected to apply when the related deferred tax asset or liability is realised or settled.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

1 Accounting policies continued

Operating leases

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Group, these are classified as operating leases. The total rentals payable under the lease are charged to profit or loss on a straight line basis over the lease term.

Pension costs

The Group operates a defined contribution scheme. The amount charged to the profit or loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either other liabilities or prepayments in the consolidated statement of financial position.

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.

Share-based payments

Where equity-settled share options are awarded to employees (refer to note 22), the fair value of the options at the date of grant is charged to the profit or loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where equity instruments are granted to persons other than employees, the profit or loss account is charged with the fair value of goods and services received, or in the case of an asset, recorded within the appropriate classification.

National insurance is payable on gains made by employees on exercise of share options granted to them. The eventual liability to national insurance is dependent on:

- the market price of the Company's shares at the date of exercise;
- the number of options that will be exercised; and
- the prevailing rate of national insurance at the date of exercise.

At each period end the potential liability is recorded as an expense within the profit or loss account and a corresponding provision recorded.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends this is when paid and in the case of final dividends, this is when approved by the shareholders at the AGM.

Adjusted EBITDA

The Group defines Adjusted EBITDA as the operating result before depreciation, amortisation, finance costs, and income or expenses that relate to exceptional items as well as non-cash charges relating to share-based payments (including employers national insurance). The Directors believe that Adjusted EBITDA represents more closely the underlying trading performance of the business.

Critical accounting estimates

The preparation of the consolidated financial statements under IFRS requires the Group to make estimates and judgements that affect the application of policies and reported amounts. Estimates and judgements 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.

1 Accounting policies continued

Critical accounting estimates continued

Acquisition accounting and fair value of acquired assets and liabilities including contingent consideration

Identifiable assets, liabilities and contingent liabilities, including earn-outs that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. The identified intangibles are capitalised if they are separable from the acquired entity or give rise to other contractual or legal rights. The amounts ascribed to these assets are arrived at by using appropriate valuation techniques to determine the fair value. Capitalised intangible assets are amortised over the useful economic life of the assets. This has ranged between three to five years for acquisitions to date. The fair value of contingent consideration, including earn-outs is based on the probability of expected cash flow outcomes and the assessment of present values using appropriate discount rates. Further details in relation to key estimates and judgements are set out in note 23.

Capitalisation and amortisation of development costs

The identification of development costs that meet the criteria for capitalisation is dependent on management's judgement and knowledge of the work done. Development costs of gaming software platforms are separately identified. Judgements are based on the information available at each period end. Economic success of any development is assessed on a reasonable basis but remains uncertain at the time of recognition. Capitalised development costs are subject to amortisation over its useful life and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group amortises the assets over the life of the product. The estimated useful life of these assets at period end is three years.

2 Segment information

For management purposes and for transacting with customers, the Group's operations can be segmented into the following reporting segments:

- real money gaming which is its UK focused, bingo-led online operation, using its proprietary and purchased software to provide online bingo and related gaming activities to players. This segment only operates in regulated markets, principally the UK; and
- social gaming which internationally provides players with entertaining applications and games.

Each of these operating segments generates independent revenues, and the risks and rewards associated with generating these revenues are considered to be different to each other.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the management team including the Chief Executive Officer, Chief Operating Officer and the Chief Financial Officer.

The Group evaluates segmental performance on the basis of profit or loss from operations calculated in accordance with IFRS but excluding non-recurring losses, IPO and acquisition costs, and the effects of share-based payments. There are no inter-segment sales.

	Real money gaming 2015 £'000	Social gaming 2015 £'000	Total 2015 £'000
Total revenue from external customers	26,695	1,116	27,811
Adjusted EBITDA	7,044	271	7,315
Depreciation	(44)	(3)	(47)
Amortisation	(2,336)	(184)	(2,520)
Acquisition costs			(1,893)
Listing costs			(1,179)
Share-based payments including national insurance			(306)
Finance expense			(793)
Contingent remuneration			(217)
Group profit before tax			360

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

2 Segment information continued

	Real money gaming 2014 £'000	Social gaming 2014 £'000	Total 2014 £'000
Total revenue from external customers	8,489	–	8,489
Adjusted EBITDA	1,191	–	1,191
Amortisation	(255)	–	(255)
Listing costs			(90)
Group profit before tax			846

	External revenue by location of customers		Non-current assets by location of assets	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
United Kingdom	**26,188**	8,384	**6,000**	–
Alderney	**–**	–	**14,096**	–
Israel	**–**	–	**16,079**	–
Other	**1,623**	105	**426**	–
	27,811	8,489	**36,601**	–

3 Operating profit

Operating profit is stated after charging the following:

	2015 £'000	2014 £'000
Operating lease expenses	**127**	–
Employee benefit expenses (note 4)	**3,694**	9
Depreciation of property, plant and equipment	**47**	–
Amortisation of intangible assets	**2,520**	255
Auditor's remuneration – audit services	**66**	42
Auditor's remuneration – other assurance services	**8**	–
Auditor's remuneration – tax advisory services	**74**	–
Auditor's remuneration – corporate finance services	**191**	90
Listing costs[(a)]	**1,179**	–
Acquisition costs[(b)]	**1,893**	–
Share-based payments[(c)]	**306**	–
Contingent remuneration[(d)]	**217**	–

(a) Listing costs relate to the Group's initial public offering and admission on AIM which completed on 19 May 2015. This excludes any costs associated with the issue of equity which has been allocated against share premium.

(b) Acquisition costs relate to the acquisition of the entire share capital of InfiApps Ltd during the year. Refer to note 23 for further information.

(c) During the year the Company issued share options to certain employees and consultants of the Group. The charge for the year includes national insurance. Refer to note 22 for further information.

(d) Under the terms of the InfiApps Ltd acquisition the contingent remuneration payable is linked to future employment and therefore has been charged to the profit or loss account. Refer to note 23 for further details.

4 Employee benefit expenses

	2015 £'000	2014 £'000
Employee benefit expenses (excluding Directors and key management personnel)		
Wages and salaries	2,014	–
Pension costs	12	–
Social security contributions and similar taxes	79	–
	2,105	–
Benefit expenses of Directors and key management personnel[(a)]		
Wages and salaries	1,180	9
Pension costs	15	–
Share-based payment expense (note 22)	222	–
Social security contributions and similar taxes	172	–
	1,589	9
Total employee benefit expense including Directors and key management personnel	3,694	9

(a) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors of the Company (listed in note 7) as well as certain Directors of subsidiary companies.

5 Finance expense

Recognised in statement of profit or loss and other comprehensive income

	2015 £'000	2014 £'000
Loan interest (note 17)	51	–
Unwinding of discount on Table Top Entertainment Limited contingent consideration (note 23)	742	–
Total finance expense	793	–

6 Available-for-sale investment

On 1 December 2014, a related party to the Group contributed its 24.5% investment in the equity share capital of QSB Gaming Limited by way of a capital contribution. QSB Gaming Limited, a company based in Alderney, is an operator of online casino and bingo gaming sites in the Spanish market. Despite holding greater than 20% of the voting equity instruments in QSB Gaming Limited, the Directors do not believe that they exercise significant influence over the investee. This is on the basis that the Group has no representation on the board and no participation in decisions over operating and financial policies. The Group has therefore recorded the asset as an available-for-sale investment at fair value of £1. The fair value is based on the fact that QSB Gaming Limited is in early development stages and future regulatory developments are uncertain.

7 Directors' interests and remuneration

The Directors who served during the year, and their interests in the share capital of the Company, were as follows:

	£0.01 ordinary shares at 31 August 2015		£0.01 ordinary shares at 31 August 2014	
	Number of shares	Percentage holding	Number of shares	Percentage holding
Nigel Terrence Payne	–	–	–	–
Stuart Eitan Boyd	2,249,999*	4.49%	–	–
Darren Brett Sims	937,498*	1.87%	–	–
Ronen Kannor	–	–	–	–
John Le Poidevin	37,879	0.08%	–	–
Adam David Batty	22,727	0.05%	–	–

* Shares held via trusts.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

7 Directors' interests and remuneration continued

The following Directors held share options as at 31 August 2015:

	Number of options at 31 August 2015	Date of grant	Exercise price in £	Vesting period of options
Stuart Eitan Boyd	**750,000**	18 May 2015	1.32	1–3 years
Darren Brett Sims	**750,000**	18 May 2015	1.32	1–3 years
Ronen Kannor	**500,000**	18 May 2015	1.32	1–3 years

The following table presents the Directors' remunerations of the Company for the year ended 31 August 2015:

	Salaries and fees £'000	Benefits £'000	Bonus £'000	Share options £'000	Total 2015 £'000	Total 2014 £'000
Nigel Payne	16	–	15	–	**31**	–
Eitan Boyd	117	8	252	66	**443**	–
Darren Sims	114	8	252	66	**440**	–
Ronen Kannor	69	4	156	45	**274**	–
John Le Poidevin	13	–	15	–	**28**	–
Adam Batty	7	–	15	–	**22**	–
Total	336	20	705	177	**1,238**	–

8 Tax expense

	2015 £'000	2014 £'000
Current tax expense		
Current tax on profits for the year	**80**	–
Total current tax	**80**	–
Deferred tax expense		
Origination and reversal of temporary differences (note 18)	**(135)**	–
Total deferred tax	**(135)**	–
Total tax credit	**(55)**	–

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

	2015 £'000	2014 £'000
Profit for the year	**360**	846
Tax using the Company's domestic tax rate of 20.6% (2014: 22.2%)	**74**	188
Expenses not deductible for tax purposes	**825**	–
Different tax rates applied in overseas jurisdictions	**(954)**	(188)
Total tax credit	**(55)**	–

9 Earnings per share

Numerator	2015 £'000	2014 £'000
Earnings used in diluted EPS	**415**	846
Denominator	**'000**	'000
Weighted average number of shares used in basic EPS	**43,770**	31,202
Effects of:		
Employee share options	**177**	–
Contingent share consideration on acquisition of intangible	**607**	–
Weighted average number of shares used in diluted EPS	**44,554**	31,202

10 Dividends

On 13 April 2015 Daub Alderney Limited declared a pre-IPO dividend totalling £7,500,000 comprising of £4,500,000 allocated against a receivable due from a related party and shareholder and the remaining £3,000,000 paid in cash. The Directors are not proposing any further dividend for the year (2014: £Nil).

11 Property, plant and equipment

	Fixtures, fittings and equipment £'000	Computer equipment £'000	Total £'000
Cost or valuation			
At 1 September 2013 and 2014	–	–	–
Acquired through business combinations	57	141	198
Additions	20	63	83
At 31 August 2015	**77**	**204**	**281**
Accumulated depreciation			
At 1 September 2013 and 2014	–	–	–
Charge for the year	5	42	47
At 31 August 2015	**5**	**42**	**47**
Net book value			
At 1 September 2013	–	–	–
At 31 August 2014	–	–	–
At 31 August 2015	**72**	**162**	**234**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

12 Intangible assets

	Software and licenses £'000	Development costs £'000	Brand names £'000	Goodwill £'000	Customer and contractual relationships £'000	Total £'000
Cost						
At 1 September 2013 and 2014	—	—	—	—	—	—
Acquired through business combinations	8,109	—	2,265	14,866	7,925	33,165
Additions	5,476	—	—	—	—	5,476
Internally generated development costs	—	246	—	—	—	246
At 31 August 2015	**13,585**	**246**	**2,265**	**14,866**	**7,925**	**38,887**
Accumulated amortisation						
At 1 September 2013 and 2014	—	—	—	—	—	—
Charge for the year	1,051	18	317	—	1,134	2,520
Foreign exchange rate movements	—	—	—	—	—	—
At 31 August 2015	**1,051**	**18**	**317**	**—**	**1,134**	**2,520**
Net book value						
At 1 September 2013	—	—	—	—	—	—
At 31 August 2014	—	—	—	—	—	—
At 31 August 2015	**12,534**	**228**	**1,948**	**14,866**	**6,791**	**36,367**

Software and Licenses

Included within software and licenses additions is the acquired software and related programs from NextTec Software Inc in respect of the underlying gaming platform and software used by Table Top Entertainment. The contingent consideration payable is based on a percentage of net gaming revenue generated from the use of the software up to a maximum of £5,325,000. The amounts are payable on the first, second and third anniversary and will be settled through the issue of shares. The number of shares issued to satisfy the liabilities arising on the anniversary dates will be based on the average share price for the previous 30 days as adjusted to reflect a minimum market capitalisation of £75 million. The asset acquired has therefore been fair valued at the date of the acquisition and an intangible asset recorded of £4,132,000 with a corresponding entry to the shares to be issued reserve.

Other additions include licenses and other software related assets.

Goodwill

Goodwill is allocated to the following cash generating units.

	2015 £'000	2014 £'000
Spacebar Media	**5,936**	—
Table Top Entertainment	**4,008**	—
Social Gaming	**4,922**	—
	14,866	—

Impairment review

In accordance with IAS 36 *Impairment of Assets*, the Group regularly monitors the carrying value of its intangible assets. A detailed review was undertaken at 31 August 2015 to assess whether the carrying value of assets was supported by the net present value of future cash flows derived from those assets. The recoverable amounts of all the above CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets and long-term forecasts. These budgets and forecasts assume the underlying business models will continue to operate on a comparable basis under the current regulatory and taxation regimes, adjusted for any known changes.

12 Intangible assets continued

Table Top Entertainment and Spacebar Media CGUs

The recoverable amounts of the Table Top Entertainment and Spacebar Media have been determined from value in use calculations based on cash flow projections covering the following five-year period and a calculation into perpetuity which exceeds the total values of each CGUs assets.

The cash flows for 2016 and 2017 are based on Board-approved budgets with a long-term growth rate of 2% and a discount rate of 13.9%. These assumptions were based upon management's experience, past performance and drawing on industry data where relevant.

The Directors have concluded that there are no reasonably possible changes in the key assumptions which would cause the carrying value of goodwill and other intangibles to exceed their value in use.

Social Gaming CGU

The goodwill and related assets included within this CGU resulted from the acquisition of InfiApps Ltd (refer to note 23) which completed on 31 July 2015. The recoverable amount, which exceeds the total value of the CGUs assets has been determined from value in use calculations based on cash flow projections covering the following five-year period and a calculation into perpetuity.

The cash flows for 2016 and 2017 are based on Board-approved budgets with a long-term growth rate of 2% and a discount rate of 20%. These assumptions were based upon management's experience, past performance and drawing on industry data where relevant.

The Directors have concluded that there are no reasonably possible changes in the key assumptions which would cause the carrying value of goodwill and other intangibles to exceed their value in use.

13 Subsidiaries

The principal subsidiaries of Stride Gaming Plc, all of which have been included in these consolidated financial statements, are as follows:

		Proportion of ownership interest at 31 August	
Name	Country of incorporation	**2015**	2014
Spacebar Media Limited	United Kingdom	**100%**	0%
SRG Services Limited*	Mauritius	**100%**	0%
Shifttech (Pty) Limited*	South Africa	**100%**	0%
Daub Alderney Limited	Alderney	**100%**	100%
S.T.R Financials Ltd	Israel	**100%**	0%
InfiApps Ltd*	Israel	**100%**	0%
Baldo Line*	Italy	**100%**	0%

* Investment held indirectly.

14 Trade and other receivables

	2015 £'000	2014 £'000
Current		
Trade receivables	**1,695**	68
Other receivables	**279**	290
Amounts due from related parties	**1,211**	5,389
Prepayments	**1,056**	—
	4,241	5,747
Non-current		
Other receivables	**248**	83
	248	83

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

14 Trade and other receivables continued

The carrying value of trade and other receivables classified as loans and receivables approximates fair value. All amounts shown in short-term trade and other receivables fall due for payment within one year. All non-current receivables are due within three years of 31 August 2015.

As at 31 August 2015 there were no trade receivables (2014: £Nil) which were past due and fully impaired. There is currently no provision for impairment for any of the outstanding trade and other receivables (2014: £Nil).

15 Trade and other payables

	2015 £'000	2014 £'000
Current		
Trade payables	**1,688**	434
Other payables	**103**	–
Other taxation and social security	**981**	–
Client liabilities and progressive prize pools	**1,420**	427
Contingent remuneration	**172**	–
Amounts due to related parties	**232**	218
Accruals and deferred income	**1,989**	163
	6,585	1,242
Non-current		
Contingent remuneration	**45**	–
Other payables	**55**	–
	100	–

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value. The contingent remuneration has arisen as a result of the InfiApps acquisition (refer to note 23).

16 Cash and cash equivalent

	2015 £'000	2014 £'000
Cash at bank and in hand	**7,388**	–

Cash held on behalf of players is held in a separate (unrestricted) bank account. In the previous year, a company related by common shareholders held cash on behalf of the Group (refer to note 24).

17 Loans and borrowings

The book value and fair value of loans and borrowings are as follows:

	2015 £'000	2014 £'000
Unsecured borrowings		
Current[(a)]	**1,083**	–
Unsecured borrowings		
Non-current[(b)]	**8,000**	–

(a) The short-term interest-free borrowings are due to the previous owners of the InfiApps Ltd business. These will be repaid in accordance with the terms of the sale and purchase agreement within two months from the year end.

(b) The full value of the borrowings as at 31 August 2015 is repayable in Sterling on 30 July 2017, although the Group has the right to repay the whole or any part of the borrowings at any time before this date. The borrowings are incurring interest at 7.5% per annum, paid monthly in arrears.

18 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate based on the different jurisdictions it arises.

The movement on the deferred tax accounts is as shown below:

	Deferred tax asset £'000	Deferred tax liability £'000
At 1 September 2013 and 2014	—	—
Recognised in profit and loss – tax credit	110	25
Arising on business combination	121	(2,158)
At 31 August 2015	**231**	**2,133**

Deferred tax assets have been recognised in respect of other temporary differences where the Directors believe it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below.

	Asset £'000	Liability £'000	Net £'000	(Charged)/ credited to profit or loss £'000	(Charged)/ credited to equity £'000
Share options	110	—	110	110	—
Other temporary and deductible differences	—	—	—	—	—
Business combinations	121	(2,133)	(2,012)	25	—
Tax asset/(liabilities)	231	(2,133)	(1,902)	135	—
Set off of tax	—	—	—	—	—
Net tax assets/(liabilities)	231	(2,133)	(1,902)	135	—

There were no deferred tax assets or liabilities at 31 August 2014.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

19 Share capital

	Authorised			
	2015 Number	2015 £'000	2014 Number	2014 £'000
Total ordinary shares of 1p each	**250,000,000**	**2,500**	250,000,000	2,500

	Issued and fully paid			
	2015 Number	2015 £'000	2014 Number	2014 £'000
Ordinary shares of 1p each				
At 1 September	**31,201,955**	**312**	31,201,955	312
Issued on acquisition of business	**10,464,512**	**105**	—	—
Issued on Initial public offering	**8,484,848**	**85**	—	—
At 31 August	**50,151,315**	**502**	31,201,955	312

The prior year share capital reflects the shares issued to acquire Daub Alderney Limited on 25 February 2015. As per note 1, in line with the requirements of merger accounting the structure and share capital issued has been recorded as though it had always been in place.

20 Leases

Operating leases – lessee

The total future value of minimum lease payments in respect of leased properties is as follows:

	2015 £'000	2014 £'000
Not later than one year	**227**	—
Later than one year and not later than five years	**309**	—
	536	—

21 Financial instruments – risk management

The Group is exposed through its operations to the following financial risks:

- market risk;
- credit risk;
- liquidity risk; and
- foreign exchange risk.

The Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented below.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- trade and other receivables;
- investment in available-for-sale financial instruments;
- cash and cash equivalents;
- trade and other payables; and
- loans and borrowings.

21 Financial instruments – risk management continued

Principal financial instruments continued

Financial instruments by category

Financial assets

	Loans and receivables	
	2015 £'000	2014 £'000
Cash and cash equivalents	**7,388**	–
Trade and other receivables	**3,433**	5,830
Total financial assets at amortised cost	**10,821**	5,830

The investment in available-for-sale investments is included with the available-for-sale financial asset category and has a fair value of £1 at 31 August 2015 (2014: £1).

Financial liabilities

	Financial liabilities at amortised cost	
	2015 £'000	2014 £'000
Trade and other payables	**5,704**	1,242
Loans and borrowings	**9,083**	–
Total financial liabilities	**14,787**	1,242

Financial instruments not measured at fair value

The carrying value of cash and cash equivalents, trade and other receivables, trade and other payables and loans and borrowings approximates their fair value.

Financial instruments measured at fair value

Other than the available-for-sale investment which is within level 3 of the financial reporting hierarchy and for which there has been no movement in fair value in the year, no other financial assets or liabilities are held at fair value.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's operational credit risk is primarily attributable to receivables from payment solution providers ("PSPs") and from customers who dispute their deposits made after playing on the Group's websites. Senior management monitors PSP balances on a weekly basis, including aged debtor analysis, and promptly takes corrective action if pre-agreed limits are exceeded.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with high ratings are accepted.

Further disclosures regarding trade and other receivables, which are neither past due nor impaired, are provided in note 14.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

21 Financial instruments – risk management continued

General objectives, policies and processes continued

Foreign exchange risk

The Group is exposed to translation and transaction foreign exchange risk. The Group's policy in this case is to allow the subsidiary to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. The majority of the remainder of the Group's transactions are denominated in Sterling, therefore the Directors deem the Group's exposure to all other exchange rate fluctuations to be minimal.

Foreign currency denominated financial assets and liabilities, translated into Sterling at the closing rate, are as follows:

	As at 31 August 2015				
	Sterling £'000	US Dollar £'000	Israeli Shekel £'000	Other £'000	Total £'000
Financial assets	8,594	581	1,337	309	10,821
Financial liabilities	(12,369)	(828)	(1,259)	(331)	(14,787)
Total net exposure	(3,775)	(247)	78	(22)	(3,966)

	As at 31 August 2014				
	Sterling £'000	US Dollar £'000	Israeli Shekel £'000	Other £'000	Total £'000
Financial assets	5,732	—	—	98	5,830
Financial liabilities	(1,214)	(2)	—	(26)	(1,242)
Total net exposure	4,518	(2)	—	72	4,588

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its short-term borrowings. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due and as at the end of the financial year, projections indicate that the Group expects to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The following table sets out the contractual maturities (representing undiscounted contractual cash flows) of financial liabilities:

	At 31 August 2015			
	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Trade and other payables	3,982	1,450	172	100
Loans and borrowings	1,083	—	9,150	—
Total	5,065	1,450	9,322	100

	At 31 August 2014			
	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000
Trade and other payables	1,242	—	—	—
Total	1,242	—	—	—

22 Share-based payment

The Company established an equity-settled share option scheme in the year for employees and non-employees, which includes the following:

i) Enterprise Management Incentive share options ("EMI Options") which qualify for favourable tax treatment under the provisions of Schedule 5 to ITEPA. Holders of EMI options have up to ten years from the date of grant to exercise these options. The number of options and vesting dates are in accordance with each individual agreement.

ii) Non-Qualifying options made available to employees and Executive Directors of the Group also have up to ten years from the date of grant to exercise the options. The exact numbers and vesting dates will be depend on each contract agreement, but all options will vest and will therefore be exercisable in no more than three years from the date of grant.

iii) Non-employee options are available to Non-Executives and individuals providing services to the Company, which are non-employees. The vesting and exercise conditions are the same as non-qualifying options.

	Weighted average exercise price (p)	Number
Outstanding at 1 September 2014	—	—
Granted during the year	1.32	3,000,000
Outstanding at 31 August 2015		**3,000,000**

The exercise price of options outstanding at 31 August 2015 was £1.32 with a contractual life of three years. None of the options granted during the year vested on 31 August 2015, as they vest annually at each anniversary of the grant, by one third each year. The fair value of each option granted during the year was £0.50. Included in the outstanding number of options above are 1,000,000 options issued to non-employees under the appropriate terms of the Share Option Scheme.

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

	2015
Option pricing model used	**Black Scholes**
Weighted average share price at grant date (£)	**1.32**
Exercise price (£)	**1.32**
Weighted average contractual life (in years)	**3**
Expected volatility	**55.77%**
Expected dividend growth rate	**0.5%**
Risk-free interest rate	**1.73%**

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices of comparable companies over the last three years. None of the options are exercisable at 31 August 2015.

The share-based remuneration expense comprises:

	2015 £'000
Equity-settled schemes, including national insurance	**306**

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

23 Business Combination during the period

Acquisition of Table Top Entertainment ("TTE")

On 4 September 2014, Daub Alderney Limited acquired the trade and assets of TTE, a company incorporated in Alderney and whose principal activity is the operation of online casino and bingo gaming sites. The total consideration was £12,500,000 comprising £3,430,000 of initial consideration settled through the issue of 670,760 shares of £0.0001 each, and further contingent consideration based on certain targets on first and second anniversary dates to a maximum of £9,070,000, also to be settled in shares.

The principal reason for this acquisition was to enhance the Group's brands and revenue volumes, by acquiring established and leading brands with strong player bases. The Group also intends to use the expertise and the know-how acquired in the development of new product lines and operational efficiency. Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value £'000	Adjustment £'000	Fair value £'000
Client liabilities	(145)	–	(145)
Progressive prize pool	(784)	–	(784)
Other payables	(142)	–	(142)
Cash	929	–	929
Property, plant and equipment	66	–	66
Brands	–	1,171	1,171
Customer relationships	–	5,521	5,521
Total net assets	(76)	6,692	6,616
Fair value of consideration paid			
Initial consideration			3,430
Discount on initial consideration			(519)
Fair value of contingent consideration			7,713
Total consideration			10,624
Goodwill (note 12)			4,008

The Goodwill recognised on the acquisition of the business and assets of TTE, which is not deductible for tax purposes, relates to the presence of certain intangible assets, such as know-how and other operating synergies.

Discount on initial consideration – under the terms of the business purchase agreement, the Group is entitled to the net profits derived from the acquired business from 31 July 2014 until 4 September 2014 (legal completion date) which has been returned by way of cash proceeds. This amounted to £519,000 and has been deducted from the initial consideration. Acquisition-related costs have been borne by a related party and are immaterial.

The contingent consideration which is to be settled in shares was initially recorded as a liability based on the fair value at acquisition and was being unwound over the respective earn-out periods to the first and second anniversaries. However, on 18 May 2015 the terms of the existing earn-out were terminated and new arrangements were entered into such that, with effect from completion of the IPO, the earn-out, and hence liability would be met by certain shareholders as opposed to shares being issued by the Company. The liability at the date of the variation, which included unwinding of the discount to the date of the variation of £742,000, totalled £8,455,000 and was transferred to a capital contribution reserve.

Given the acquisition occurred on 4 September 2014 there is no material difference in the results between the start of the year and date of acquisition.

Acquisition of Spacebar Media Limited

On 1 February 2015, the Group acquired 100% of the voting equity instruments of Spacebar Media Limited. Spacebar Media Limited is a UK company whose principal activities are execution and management of marketing services together with development and maintenance of online gaming software.

The principal reason for this acquisition was to leverage the knowledge and experience of Spacebar Media Limited, developed over a number of years in the software development arena and the marketing consultancy of online gaming brands, for the exclusive use of the Group.

23 Business Combination during the period continued

Acquisition of Spacebar Media Limited continued

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Book value £'000	Adjustment £'000	Fair value £'000
Property, plant and equipment	65	–	65
Trade and other receivables	336	–	336
Cash	26	–	26
Trade and other payables	(363)	–	(363)
Total net liabilities	64	–	64
Cash			6,000
Goodwill (note 12)			5,936

The goodwill recognised in the acquisition of Spacebar Media Limited, which is not deductible for tax purposes, includes certain intangible assets such as, expertise and know-how, which do not qualify for separate recognition. Acquisition-related costs have been borne by a related party and are not material.

Between the date of acquisition and 31 August 2015 Spacebar Media Limited contributed £Nil to Group revenues on the basis that all post-acquisition revenue was inter-group.

Acquisition of InfiApps Ltd

On 31 July 2015, the Group acquired 100% of the voting equity instruments of InfiApps Ltd ("InfiApps"), a company registered in Israel whose principal activity is the provision of internationally focused mobile social gaming services. The acquisition has provided the Group with an entry into the social gaming sector of online gaming, with users based internationally, in particular in the United States of America, Canada and Australia. By expanding into new verticals alongside the online bingo market the acquisition will combine the Group's bingo-led expertise with InfiApps' social gaming expertise, both of which are complementary offerings to each other, which provide potential for significant operational leverage on an international scale.

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

	Book value £'000	Adjustment £'000	Fair value £'000
Property, plant and equipment	67	–	67
Cash	585	–	585
Trade and other receivables	1,105	–	1,105
Deferred tax asset	120	–	120
Trade and other payables	(702)	–	(702)
Loans and borrowings	(848)	–	(848)
Brands	–	1,094	1,094
Developed software	–	7,778	7,778
Customer and contractual relationships	–	2,404	2,404
Deferred tax liability	–	(2,148)	(2,148)
Total net assets	327	9,128	9,455
Fair value of consideration paid			
Cash			14,120
Working capital payable in cash			257
Total consideration			14,377
Goodwill (note 12)			4,922

NOTES FORMING PART OF THE FINANCIAL STATEMENTS CONTINUED

for the year ended 31 August 2015

23 Business Combination during the period continued

Acquisition of InfiApps Ltd continued

The purchase agreement also included a two-year earn-out payable to the sellers as contingent consideration if they remain with the acquired company for a two-year period post-acquisition. It has been accounted for as remuneration rather than part of the consideration paid to acquire InfiApps in accordance with international accounting standards. The Group has recognised £217,000 in the profit or loss account, being the present value of the earn-out consideration having made a probability based assessment of the amount payable, which represents the fair value at acquisition date. The earn-out consideration has been calculated based on the Group's expectation of what it will pay in relation to the earn-out agreement. The earn-out targets are based on the EBITDA multiple of the annual results of the acquired business. The fair value of the earn-out consideration is calculated by weighting the probability of achieving these targets and discounting to give an estimate of the final obligation. In accordance with the terms of the purchase agreement the total earn-out cannot exceed $18 million.

Total acquisition costs amounted to £1.89 million and these have been recognised in the profit or loss account.

The main factors leading to the recognition of goodwill which is not deductible for tax purposes was the presence of certain intangible assets, such as the assembled workforce of the acquired entity, as well as synergies gained, which do not qualify for separate recognition.

InfiApps contributed £1,116,000 to Group revenues and £234,000 to Group profit between the date of acquisition and 31 August 2015.

Acquisition of Baldo Line SRL

On 16 January 2015, the ultimate controlling party prior to the IPO, contributed its 100% investment in the equity share capital of Baldo Line SRL by way of a capital contribution to the Group. Baldo Line S.R.L. is a company incorporated under the laws of Italy and holds an online gambling licence from the Italian gambling commission ("AAMS"). The contribution is outside of the scope of IFRS 3 *Business Combinations* on the basis that this is a common control transaction. The asset and liabilities have therefore been transferred at book value and capital contribution of £318,000 based on net asset value has been recorded:

	Book value on date of capital contribution £'000
Intangible assets	331
Other receivables	165
Trade and other payables	(178)
Total net assets	318

24 Related party transactions

The Group receives payment processing services from a company related by common significant shareholders. Fees charged during the year totalled £662,000 (2014: £490,000). In addition to providing processing services the company previously held cash on behalf of the Group and the total amount due to the Group at 31 August 2014 was £2,380,000. During the year this amount was novated to the ultimate controlling party prior to the IPO to clear a dividend amount due. The amount due to the Group at 31 August 2015 is £1,211,000. No impairment has been recognised in respect of this amount.

The ultimate controlling party prior to the IPO also held cash on behalf of the Group and, at 31 August 2014 the amount due was £3,041,000. No provision has been recognised in respect of this amounts and no amounts were written off during the period. This balance was cleared by way of a dividend prior to the IPO. In addition, the following transactions were undertaken with the ultimate controlling party:

- contribution of its 100% investment in the equity share capital of Baldo Line SRL by way of a capital contribution to the Group. The asset and liabilities have therefore been transferred at book value and a capital contribution of £318,000 based on net asset value has been recorded. A total of £170,000 was due to the ultimate controlling party at 31 August 2015;
- acquisition of the IP rights of its designated software used in the business of Daub Alderney Limited for £875,000;
- contribution of a 24.5% investment in the equity share capital of QSB Gaming Limited, which was recognised at fair value of £1 and accounted for as an available-for-sale investment; and
- on 1 February 2015 the Group acquired 100% of the voting equity instruments of Spacebar Media Ltd (refer to note 23). The total consideration of £6,000,000 was contributed to the Group in cash by the ultimate controlling party by way of a capital contribution to enable the acquisition to be made.

24 Related party transactions continued

The Group entered into related party transactions with certain other companies under control of shareholders for the provision of software platform, marketing and other back office services. The total purchases in the year ended 31 August 2015 were £1,538,000 (2014: £715,000). Total amount due by the Group at 31 August 2015 is £62,000 (2014: £86,000).

The Group received execution and management of marketing and software development services from Spacebar Media Limited (which was subsequently acquired by the Group on 1 February 2015 for £6,000,000 – see note 23) a company related by common control. Purchases of services in the period prior to acquisition were £1,000,000 (2014: £482,000).

On 1 February 2015 the Group acquired certain assets from a company related by common control for £46,000.

On 30 July 2015 the Group entered into a loan agreement with a shareholder for a total amount of £8,000,000. The amount is repayable in 24 months and is incurring interest of 7.5% per annum paid monthly in arrears. The full amount of £8,000,000 plus one month's of accrued interest at £51,000 was outstanding at 31 August 2015.

As at 31 August 2015 a total of £1,083,000 of short-term interest-free borrowings are due to the previous owners of the InfiApps Ltd business. These will be repaid in accordance with the terms of the sale and purchase agreement within two months from the year end. These borrowings are unsecured.

25 Events after the reporting date

Post-year end on the first anniversary of the acquisition of software and related programs from NextTec Software Inc (refer to note 12), the first part of the contingent consideration was repaid by the issue of 1,149,071 shares.

In October 2015, a total of 1,113,000 of non-qualifying options and 564,000 non-employee options were granted to various employees and consultants of the Group. The general terms and conditions include an exercise price of £1.32 per share, with one third vesting at the end of the second anniversary of the grant, and the balance vesting on the third and fourth anniversaries.

26 Non-cash movements in cash flow statement

The following transactions were significant non-cash movements during the year:

- from the total dividends declared during the year, £3,000,000 was paid in cash, with the balance offset against a related party receivable;
- included within software and licenses additions is the acquisition of the IP rights of the software used in the business of Daub Alderney Limited acquired from the ultimate shareholder for £875,000. This was offset against a related party receivable and not paid in cash; and
- included within software and license additions is the acquired software and related programs valued at £4,132,000, from NextTec Software Inc in respect of the underlying gaming platform and software used by Table Top Entertainment which will be settled by contingently issuable shares.

CORPORATE INFORMATION

Country of incorporation of parent company
Jersey

Legal form
Public limited company

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(Non-Executive Chairman)

Eitan Boyd
Darren Sims
Ronen Kannor
John Le Poidevin
(Non-Executive)

Adam Batty
(Non-Executive)

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