28 November 2016

Stride Gaming plc
("Stride Gaming" or the "Company" or the "Group")

Audited results for the year ended 31 August 2016

Strong organic growth and completion of transformational acquisitions of 8Ball, Netboost Media and the Tarco Assets

Stride Gaming plc (AIM: STR), the multi-branded online soft gaming operator, announces its audited results for the year ended 31 August 2016 ("the **year**").

In order to show the Group's results in the most meaningful way for all stakeholders, the financial information displayed below for the prior year comparative is shown on a pro-forma basis. The prior year comparatives have been adjusted to show the results as if the acquisition of InfiApps, the mobile social gaming company acquired in July 2015, had in fact taken place at the start of the 12 month comparative year, and as if Point of Consumption Tax ("POCT") had been in effect for the full 12 months in both years, instead of just nine months in the comparative year as was actually the case. No adjustments were required for the acquisitions of 8Ball, Netboost Media and the Tarco Assets, as they were acquired on 31 August 2016.

Key Financials

	Audited Year ended 31-Aug-16 £'000	**Unaudited Pro-forma Year ended 31 Aug-15 £'000**	**Change %**
Net Gaming Revenue	47,799	39,289	**22%**
Adjusted EBITDA*	12,318	9,720	**27%**
Adjusted earnings*	10,906	8,575	**27%**
Adjusted basic earnings per share (in pence)*	21.2	19.6	8%
Profit before tax	131	2,932	-
Basic loss / earnings per share (in pence)	(0.8)p	5.6p	(114%)
Proposed final dividend per share (in pence)	1.4p	-	-

Financial highlights:

- Group Net Gaming Revenue ("NGR") up 22% to £47.8 million (2015: Pro-forma £39.3 million and reported of £27.8 million);
- Group Adjusted EBITDA* up 27% to £12.3 million (2015: Pro-forma £9.7 million and reported £7.3 million);
- Adjusted earnings* up 27% to £10.9 million (2015: Pro-forma £8.6 million);
- Adjusted basic earnings per share* up 8% to 21.2 pence per share (2015: Pro-forma 19.6 pence);
- Strong balance sheet with gross assets up 117% to £105.8 million (2015: £48.7 million), including cash of £21.1 million (2015: £7.4 million);
- Successful placing of 12 million shares raising £27 million (before expenses);
- Refinancing of an existing £8 million shareholder loan facility with Barclays PLC post year end; and
- Final dividend of 1.4 pence per share recommended by the Board, subject to shareholder approval at the AGM, taking the total dividend for the full year to 2.5 pence per share.

Operational highlights:

- Transformational acquisitions of 8Ball, Netboost Media and the Tarco Assets completed for total consideration payable in shares and cash of up to £70.2 million;
- Real money gaming funded players** up 37% to 71,220 (2015: 52,000);
- Yield per player up 7% to £120 (2015: £112) reflecting an improvement in engagement and player monetisation;
- Gross gaming revenue*** ("GGR") through mobile and touch devices represents 51.8% (2015: 40.4%) of total Group GGR;
- Successful integration of InfiApps, the mobile social gaming company acquired in July 2015;
- Average deposit size from InfiApps increased to US$24.5 (2015: US$17) and the daily average revenue per paying user ("Daily ARPPU") increased to US$35 (2015: US$28.5); and
- Introduction of the Table Top ("TTE") brands and proprietary games onto mobile.

* Adjusted EBITDA is operating profit but excluding income or expenses that relate to exceptional items such as listing and acquisition costs and contingent remuneration, as well as non-cash charges relating to share-based payments (including associated payroll taxes), depreciation and amortisation. Adjusted earnings is profit (or loss) after tax, but before amortisation (excluding amortisation of development costs), depreciation, listing and acquisition costs, contingent remuneration and share based payments (including associated payroll taxes).
** Funded player means an active player who has made a deposit with his or her own funds within the last three months.
*** GGR means gross gaming revenue, being total bets placed by players less winnings paid to them.

Commenting on the results, Eitan Boyd, CEO of Stride Gaming, said:

"I am delighted to present these excellent results to shareholders. 2016 was an exciting year for the Company where we once again delivered strong organic growth and undertook transformational acquisitions. With 105 brands and 10% market share of the UK online bingo market following these acquisitions, Stride Gaming now has material scale, strong operational leverage and occupies a pre-eminent position in the soft gaming market.

"The business has never been in such a strong position to build on its excellent achievements of 2016. Our focus in 2016/17 will be on integrating these recent acquisitions, continuing our strong organic growth and examining entry into other soft gaming verticals. Looking ahead, we are excited by the outlook for the Group as we build on our goal of being the leading UK based soft gaming company and maximising value for shareholders."

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About Stride Gaming:

Stride Gaming is a leading online gaming operator in the soft gaming verticals of online bingo and the global social gaming market. In the real money UK bingo-led business, Stride Gaming operates a multi-branded strategy and uses its own proprietary and purchased software to provide online bingo and slot gaming for its players, and social gaming mobile applications. Following the acquisitions of 8Ball, Netboost Media and the Tarco Assets on 31 August 2016, Stride Gaming has a 10% market share of the UK bingo market and is the fourth largest online bingo operator in the UK. The Company now has 105 brands and its share of the UK online bingo market is 25% (as measured by number of bingo sites).

Stride Gaming is focused on the UK online bingo market, where it is licensed and only operates from the regulated jurisdictions of the UK and Alderney, and in the mobile social gaming market, where its players' reach is international with a focus on the North American market.

Further information on the Group is available at: www.stridegaming.com

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Chairman's statement

I could not be more pleased with the performance of the business this year; a year in which Stride Gaming has demonstrated the power of its business model. The success of the business reflects our core strengths: owning our own proprietary software; operating it in a clear multi-branded strategy; delivering strong organic growth and making targeted acquisitions, all of which have been delivered by our highly experienced and competent management team.

During the year, not only did the Company achieve very strong organic growth but it also concluded three transformational acquisitions for a total consideration of up to £70.2 million, which have propelled the business to become the fourth largest online bingo operator in the UK. In doing so, Stride Gaming's market share of the UK bingo market has increased from 5% to 10%, and from 2% to over 25% in the UK online bingo market (as measured by number of bingo sites). Stride Gaming now has over 100 different bingo brands and occupies a pre-eminent position within the soft gaming sector. Everyone at Stride Gaming is very excited by the opportunities that now present themselves across our materially enlarged Group.

The business has a proven track record of delivering value to shareholders from both organic growth and from successfully integrating acquisitions into the Group. The recent acquisitions of 8Ball, Netboost Media and the Tarco Assets are the largest set of acquisitions that the Company has undertaken to date, and the Board is confident of its ability to integrate them into the Group and deliver value to shareholders. To this end, the Board will focus heavily on the successful integration of these businesses during the early part of the new financial year to August 2017. The Board remains confident that the acquisitions will be accretive in the first full year of ownership (financial year to August 2017), as well as delivering significant cost synergies.

Dividend

In line with the Company's stated objective of adopting a progressive dividend policy, the Board is pleased to recommend a final dividend of 1.40 pence per share, subject to the approval of shareholders at the Company's Annual General Meeting to be held in January 2017. This final dividend, together with the interim dividend of 1.10 pence per share, brings the total dividend for the year ending 31 August 2016 to 2.50 pence per share.

The final dividend will be paid on the 1st February 2017 to those shareholders who are on the register of members on the record date of 6th January 2017. The ex-dividend date will be the 5th January 2017.

Current trading and outlook

Following this transformational year for the business, Stride Gaming now has material scale, strong operational leverage and significant market share. We believe that we have never been better placed to exploit the opportunities that exist in our market to deliver value to shareholders and we look to the future with excitement and confidence. The integration of our recent acquisitions is progressing well and trading at the start of the new financial year is in line with the Board's expectations.

In addition to integrating the recent acquisitions and striving to deliver strong organic growth, we will in 2016/17 continue to examine entry into other soft gaming verticals. Our aim is to become the leading UK based soft gaming company and to create significant value for shareholders.

Following the placing, we now have a strong and broad institutional following and I'd like to take this opportunity to welcome our new shareholders and thank our existing shareholders for their continued support. I'd also like to thank the rest of my Board and all the Group's employees for their passion and dedication in getting the Company to the position it is in today.

Nigel Payne
Non-Executive Chairman
28 November 2016

Chief Executive's Report

I am delighted to present these excellent results to shareholders. 2016 was an exciting year for the Company where we again delivered strong organic growth and undertook transformational acquisitions. During the year we continued to exploit the market opportunity that exists in the gaming sector and, in contrast to many operators that struggle in this tough regulatory and tax environment, Stride Gaming continued to build scale and increase its market share. The business has never been in such a strong position with material scale and 10% share of the UK bingo market. Stride Gaming is extremely well positioned to build on its excellent achievements of 2016 and to continue to grow organically, look for further acquisition targets and to maximise value for shareholders.

Operational progress

The Company delivered strong operational performance in the year with NGR growth from real money gaming increasing by 31%. Our organic growth has again exceeded expectations as a result of the Company's underlying strengths, which include having significant scale and owning our own proprietary software. This has also been achieved in an environment in which margins are being squeezed due to changes to tax, regulatory compliance and technology costs.

Our number of funded players has now reached 71,220, representing a 37% year-on-year increase, and with software enhancements and continuous improvements to the backend of our platform we have shown a 7% growth in yield per player at £120 (2015: £112).

Adjusted EBITDA for the Group was up 27% on a pro-forma basis to £12.3 million with Adjusted EBITDA for real money gaming up 17% at £8.2 million, despite a full year of POCT. The results also include a full year contribution from the acquired InfiApps business generating £4.1m of Adjusted EBITDA.

Acquisitions of 8Ball, Netboost Media and the Tarco Assets

On 31 August 2016, Stride Gaming completed the acquisitions of 8Ball, Netboost Media and the Tarco Assets for a total consideration of up to £70.2 million. These acquisitions have been transformational for the Company. It has increased Stride Gaming's market share of the UK bingo market from 5% to 10%, making Stride Gaming the fourth largest online bingo operator in the UK. It has expanded the Company's multi-branded offering by 96 brands to 105 brands, increasing Stride Gaming's share of the UK online bingo market from 2% to over 25% (by number of bingo sites). It also brings significant scale and a number of leading bingo brands to Stride Gaming's business, together with the opportunity for meaningful operational leverage.

The acquisitions already present attractive player fundamentals, including the opportunity for significant improvements through leveraging off Stride Gaming's leading software platform and marketing expertise, together with delivering synergies through cross-marketing, lowering of CPA, increasing customer LTV and reducing player churn. We expect the acquisitions to be accretive in the first full year of ownership (pre-synergies), deliver cost synergies (marketing, administration, distribution) of an estimated £2.5 million (post earn-out) and deliver revenue synergies (increase in LTV, yield and net cash hold) of an estimated £3 million (post earn-out).

These acquisitions were funded by a fully subscribed placing of 12 million ordinary shares at a price of 225p per share raising £27 million (pre-costs) and the issue of new ordinary shares to the vendors.

Social gaming

InfiApps, the mobile social gaming company acquired in July 2015, has now been fully integrated into the Group. In Slot Bonanza, our flagship social gaming brand, our focus during the year has been to increase the level of player engagement through the introduction of unique product features, business intelligence and new content, including real money gaming content, which enabled us to increase our monetisation capabilities. As a result, our adjusted EBITDA was up 17% to £4.1 million (2015: pro-forma £3.5 million), our average deposit size increased to US$24.5 (2015: US$17) and the daily average revenue per paying user ("Daily ARPPU") increased to US$35 (2015: US$28.5).

In addition, we developed our Panda Slots app, a multi-technology platform for the faster creation of new mobile social slot games customised on a player level. Using this platform, we can develop once and deploy on both iOS and android platforms, significantly reducing the time and cost to market.

InfiApps completed its first year of a two year earn-out period on 31 August 2016. During the first year the Group focused on achieving high levels of player engagement and profitability. In the second and last year of the earn-out period we will focus on product development and on enhancing the player experience. Whilst we are pleased with the integration of InfiApps into the Group, balancing longer term benefits against shorter term performance targets needs to be managed carefully and presents certain challenges to maximise the performance of the business in the earn-out period.

Mobile

The Group continues to focus on enhancing the gaming experience for its mobile centric customer base. The Company's Responsive Adaptive Design ("RAD") platform has been well received by our customers and on a Group level, mobile and touch represents 51% of gross gaming revenue (2015: 40.4%).

Our Market

The global online gaming industry continues to grow rapidly and is driven by technological advancements, particularly greater connectivity and customers' increased access to smart devices, as well as government regulation. Mobile devices continue to shape the online gaming industry and operators constantly have to innovate to stay ahead of the curve. Increased regulation, tax and compliance costs will continue to squeeze margins on smaller businesses and present challenges for larger operators. However, it also presents significant opportunities for incumbent and established operators that have significant scale to exploit market opportunities.

The UK online gaming market is estimated to have totalled £2.46 billion in 2015. Gambling Compliance Research Services ("GCRS") estimates that UK online gaming NGR will total around £2.69 billion in 2016, and expects segment growth to remain in high single digits over the next few years. UK online gaming NGR is projected to grow 8.1% to £2.91 billion in 2017 before rising a further 8.9% to £3.16 billion in 2018.

The UK bingo-led gaming market in 2016 is estimated to reach £500 million. The global social casino market was valued at US$5.40 billion in 2012 and is expected to reach US$17.40 billion by 2019, growing at a robust CAGR of 16.1%.

There is uncertainty and volatility in the wider market as a result of Brexit. However, to date, there has been no visible impact on the business from the UK's decision to exit the EU and the Board believes Stride Gaming's scale gives it significant flexibility to face any challenges that may arise.

Recent discussions around the new proposed TV daytime advertising regulations for the bingo-led market are expected to have very little direct impact on the Group since the Group is focused more on digital media as a source of traffic.

Growth Strategy

Our aim is to be the leading UK based soft gaming operator. Stride Gaming is focused on building scale and maximising shareholder value by achieving growth through organic and acquisitive means and by focusing on the Company's core strengths. The Company aims to deliver growth by enhancing its proprietary platforms, systems and knowledge, and strategic acquisitions that will allow the Company to enter new verticals and provide scale to existing verticals.

Organic growth and focus on the core business

The Company aims to maintain its average monthly growth and to further increase its profitability and scale, taking advantage of the increased regulatory environment and, in particular, the POCT, which is driving unprecedented change across the industry. This increased regulatory environment is forcing many of the larger gambling operators to consolidate and merge in order to add scale to their operations and is forcing many of the smaller players out of the market entirely. Stride Gaming, in contrast, feels it only has to gain in this environment as it has scale and a number of key strengths, which include owning our own proprietary software, our multi-branded strategy and our highly experienced management team. The Company will look to build on its significant market share following recent acquisitions and take further market share from the larger multi-product operators who are prioritising their marketing spend on their core operations, and from the smaller operators who are being squeezed out of the market.

Stride Gaming aims to accelerate growth through improved levels of engagement, monetisation and marketing:

Engagement – the Company is focused on enhancing the user experience through providing rich and engaging content, loyalty and competitions, thereby creating a high level of stickiness;

Marketing – the Company's marketing strategy is focused on increasing the customer base through optimising conversion rates and CPA levels. Stride Gaming uses an effective marketing mix of online and offline channels including natural search (SEO), player management, e-mail, SMS and direct mails.

Stride Gaming also uses TV, online buying as well as re-targeting campaigns utilising a multitude of online platforms.

The Company will continue to invest in product development and in enhancing its bingo IP, instant game IP and also mobile development. A core part of the growth strategy will be to pursue expansion in international regulated markets such as Italy, Spain and Denmark.

Many bingo-led operators rely on third-party software providers, which creates potential opportunities for Stride Gaming to license its platform to other operators on a B2B basis or otherwise offer white label solutions based on the Group's existing platforms.

Acquisition opportunities

Acquisitions have been an instrumental part of Stride Gaming's rapid growth and success to date and the Company will continue to search for acquisition opportunities that are accretive to earnings. The Company will also look to enter into other soft gaming verticals that complement Stride Gaming's existing business.

The opportunities in these sectors are exciting and could significantly increase Stride Gaming's value for shareholders.

Outlook

Stride Gaming has delivered another excellent year of progress with further transformational acquisitions under its belt and robust organic growth. With 105 brands and 10% of the UK bingo market, Stride Gaming occupies a pre-eminent position in the soft gaming market. Stride Gaming now has the scale and fire power to accelerate its organic growth and undertake further acquisitions. The Board believes the outlook for the Company is highly exciting.

Eitan Boyd,
Chief Executive Officer
28 November 2016

Chief Financial Officer's Review

In order to show the Group's results in the most meaningful way for all stakeholders, the financial information displayed below for the prior year comparative is shown on a pro-forma basis. The prior year comparatives have been adjusted to show the results as if the acquisition of InfiApps, the mobile social gaming company acquired in July 2015 had, in fact, taken place at the start of the comparative year, and as if Point of Consumption Tax ("POCT") had been in effect for the full 12 months in both years, instead of just 9 months in the comparative year as was actually the case. No adjustments were required for the acquisition of the 8Ball, Netboost Media and the Tarco Assets as they were acquired on 31 August 2016.

Stride Gaming's financial results for the year demonstrate continued strong organic revenue growth and adjusted EBITDA performance. The Group delivered pro-forma NGR growth of 22% to £47.8 million (2015: Pro-forma £39.2 million and reported £27.8 million) for the year. This underlying strong organic revenue growth was driven by improvements in player engagement, monetisation and efficient marketing spend across all brands.

Adjusted EBITDA increased on a pro-forma basis by 27% to £12.3 million (2015: Pro-forma £9.7 million and reported £7.3 million) with an increase in the Adjusted EBITDA margin to 25.8% (2015: pro-forma 24.7%). This improvement was achieved by a more efficient and focused marketing spend combined with synergies in processing, royalties and administrative costs gained as a result of the Group's scale following the integration of the TTE sites acquired in September 2014.

Stride Gaming remains highly cash generative due to an excellent financial performance with net cash generated from operational activities at £13.7 million (2015: £4.5 million) and a high cash conversion from Adjusted EBITDA. During the year the Group raised £27 million (pre-costs) through an equity placing to part fund the acquisition of 8Ball, Netboost Media and the Tarco Assets.

Stride Gaming has a strong balance sheet with cash and cash equivalents of £21.0 million (31 August 2015: £7.4 million) and customer liabilities of £1.8 million (2015: £1.4 million).

Revenues

The excellent momentum across the Group since 2015 continued with another record performance for the year. NGR from real money gaming, the Group's largest vertical, was up 31% (2015: Pro-forma 30%), totalling £35.0 million (2015: £26.7 million) in top line revenue. This strong operational momentum can be seen throughout all key performance indicators and reflects the strength of our proprietary software, along with the quality of our brands.

Real money gaming funded players were up 37% to 71,200 (2015: 52,000). Yield per player from real money gaming was up 7% to £120 (2015: £112) as a result of successful player engagement and monetisation. Mobile has been a key driver of growth and gross gaming revenue ("GGR") through mobile and touch devices was up by 28.4% and now represents 51.8% (Pro-forma 2015: 40.4%) of total Group GGR. The Group made continued developments in new content and business intelligence capabilities during the year, which supported our natural growth and has positioned us well for the forthcoming year.

Social gaming revenues from InfiApps remain solid and comprise 26.8% (Pro-forma 32%) of Group revenue. Since the acquisition, the Group's focus has been to increase the level of player engagement through the introduction of unique product features, content and analytics, which has enabled us to increase our monetisation capabilities. Revenue was up 1.8% to £12.8 million (2015: Pro-forma £12.5 million), but reduced on a constant currency basis by 6%.

Expenditure

Distribution costs

Distribution costs, which include licencing, processing, royalties, hosting (social gaming) and marketing, totalled £18.7 million (2015: Pro-forma £16.4 million and reported £9.9 million) and have reduced to 39% (2015: Pro-forma 42%) as a proportion of NGR. The improvement was achieved as a result of the Group's scale reducing game royalties and processing fees and the introduction of proprietary content. Furthermore, the Group successfully optimised the marketing spend of £10.9 million (2015: Pro-forma £9.6

million), by increasing its customer base whilst reducing the marketing spend as a proportion of NGR, which is down to 23% (2015: Pro-forma 25%).

Cost of sales

Cost of sales, which totalled £5.4 million (2015: Pro-forma £3.6 million and reported £2.8 million), represents POCT that came into effect in December 2014 and had a full year impact in the current financial year on the real money gaming vertical.

Administration costs

Administration costs, which totalled £11.4 million (2015: Pro-forma £9.5 million and reported £7.8 million), make up 23.9% (2015: Pro-forma 24.3%) as a proportion of NGR. Costs remained well controlled, taking into account that the additional expenditure incurred as a result of the re-organisation of the Group pre-IPO has had a full twelve-month impact on the results of the current year, as opposed to only seven months in the prior year.

Capitalisation of proprietary software development costs totalled £1.0 million (2015: Pro-forma £0.4 million and reported £0.2 million) and represents 2.1% of NGR (2015: Pro-forma 1.1%). During the year the Group continued to invest in its proprietary software to support its mobile offering, rich content and regulatory requirements.

Adjusted EBITDA and margins

Adjusted EBITDA on a pro-forma basis is up 27% to £12.3 million (2015: Pro-forma £9.7 million and reported £7.3 million) reflecting an Adjusted EBITDA margin of 25.8% (2015: Pro-forma 24.7%). The results exclude the share-based payment charge including associated payroll taxes of £1.9 million (2015: £0.3 million), acquisition and listing costs of £1.1 million (2015: £1.9 million), and contingent remuneration relating to the acquisition of InfiApps of £4.0 million (2015: £0.2 million).

Finance expenses

Finance expenses for the year totalling £0.7 million (2015: £0.8 million) are largely attributable to the £8 million facility provided by one of the Group's shareholders for the acquisition of InfiApps in July 2015. The loan is bearing an annual interest rate of 7.5%. The cost in the previous year relates to the unwinding of the discount on the Table Top Entertainment Limited contingent consideration.

Share placing and acquisitions

On 31 August 2016, Stride Gaming completed the acquisition of the entire issued share capital of 8Ball Games Limited, the entire issued share capital of Netboost Media Limited (a marketing business which services the Tarco Assets) and certain assets of Tarco Limited. The acquisitions were achieved through a successful subscription and placing of 12,000,000 new Ordinary shares in the Company at a Placing Price of 225 pence per share, raising gross proceeds of £27.0 million (£25.9 million net of share issue costs).

The acquisitions have increased Stride Gaming's market share of the UK bingo market from 5% to 10%, making Stride Gaming the fourth largest online bingo operator in the UK. It has also expanded the Company's multi-branded offering and brings significant scale and a number of leading bingo brands to Stride Gaming's business.

Cash flow and Balance sheet

Stride Gaming continues to be highly cash generative delivering another year of solid operating performance with cash flow from operating activities totalling £13.7 million (2015: £4.5 million). Cash outflow from investing activities totalled £24.0 million (2015: £18.9 million), mainly relating to the acquisitions. Cash flow from financing activities related to the issue of shares worth £25.9 million (net), payment of an interim dividend of £0.6 million (2015: £3.0 million) and repayment of the related party borrowings of £1.1 million (2015: £Nil), due to the previous owners of the InfiApps business and paid in accordance with the terms of the sale and purchase agreement in November 2015.

As at 31 August 2016, cash and cash equivalents amounted to £21.1 million (31 August 2015: £7.4 million) with customer liabilities of £1.8 million (2015: £1.4 million). Contingent remuneration liability (within current liabilities) was £3.8 million (2015: £0.2 million) and relates to the InfiApps acquisition. Contingent consideration of £5.6 million (2015: £Nil) in the non-current liabilities has been recognised as part of the fair value exercise following the acquisition of the Tarco Assets.

Available for sale investments held of £0.8 million (2015: £Nil) represents the fair value of the Group's equity share of 24.2% in QSB Gaming Limited, an operator of online casino and bingo gaming sites in the Spanish market.

Post year end (November 2016), the Group entered into an £8.0 million loan facility with Barclays PLC. This committed facility, which refinanced the existing borrowings, matures four years from the date of the initial drawdown, and will incur a 3.6 per cent plus LIBOR annual floating interest rate, payable quarterly, with the principal sum outstanding also paid on a quarterly basis over the term of the facility.

Adjusted earnings, EPS and Dividend

Basic loss per share was 0.8 pence (2015: earnings of 0.9 pence). Adjusted basic earnings per share were up 8% to 21.2 pence (2015: Pro-forma 19.6 pence). The Board believes that adjusted basic earnings per share excluding exceptional items such as acquisition costs, contingent remuneration, listing costs, amortisation of intangible assets and share based payments better assists an understanding of the underlying business performance.

	Audited Year ended 31-Aug-16 £'000	Unaudited Pro-forma Year ended 31 Aug-15 £'000
(Loss)/profit after tax	(386)	2,430
Amortisation of intangible assets*	4,166	2,472
Depreciation	137	79
Acquisition and Listing costs	1,090	3,071
Contingent remuneration	3,987	217
Share-based payments	1,912	306
Adjusted Earnings	10,906	8,575
Adjusted earnings per share	21.2	19.6
Adjusted Diluted earnings per share**	20.3	19.2
Basic earnings per share	(0.8)	5.6

* Excluding amortisation of internally generated development costs.

** Adjusted diluted earnings per share is calculated using the same weighted average number of shares used in the diluted EPS as per note 9 of the financial statements.

In line with the Group's stated objective of adopting a progressive dividend policy, in June 2016 the Group paid an interim dividend of 1.1 pence per share. Taking into account the Group's strong performance the Board has recommended a final dividend of 1.4 pence per share, subject to shareholder approval at the AGM in January 2017, which takes the total dividend for the full year to 2.5 pence per share.

The dividend timetable:

Ex-dividend date	05 January 2017
Record Date for dividend	06 January 2017
Payment Date	01 February 2017

Ronen Kannor
Chief Financial Officer
28 November 2016

Consolidated statement of profit or loss

for the year ended 31 August 2016

	Note	2016 £'000	2015 £'000
Net gaming revenue	1	**47,799**	27,811
Cost of sales	1	**(5,387)**	(2,753)
Gross profit		**42,412**	25,058
Distribution costs	3	**(18,667)**	(9,896)
Administrative expenses	3	**(11,427)**	(7,847)
Adjusted EBITDA		**12,318**	7,315
Share-based payments	3	**(1,912)**	(306)
Acquisition costs	3	**(1,090)**	(1,893)
Contingent remuneration	3	**(3,987)**	(217)
Listing costs	3	**-**	(1,179)
Amortisation of intangible assets	3	**(4,389)**	(2,520)
Depreciation	3	**(137)**	(47)
Operating profit		**803**	1,153
Finance income		**25**	-
Finance expense	5	**(697)**	(793)
Profit before tax		**131**	360
Tax (expense)/credit	8	**(517)**	55
(Loss)/profit after tax		**(386)**	415
(Loss) / earnings per Share (p)	9		
Basic		**(0.750)**	0.948
Diluted		**(0.750)**	0.931

Consolidated statement of other comprehensive income

for the year ended 31 August 2016

	Note	2016 £'000	2015 £'000
(Loss) / profit after tax		**(386)**	415
Other comprehensive income:			
Items that will or may be reclassified to profit or loss:			
Change in fair value of available for sale investment	6	**810**	-
Exchange gains arising on translation of foreign operations		**2,565**	7
Total comprehensive income for the period attributable to the equity holders of the parent entity		**2,989**	422

The notes in the following pages form part of these financial statements.

Consolidated statement of financial position

at 31 August 2016

	Note	**2016 £'000**	2015 £'000
ASSETS			
Non-current assets			
Property plant and equipment	11	**662**	234
Intangible assets	12	**73,566**	36,367
Other receivables	14	**3,416**	248
Deferred tax asset	18	**217**	231
Available-for-sale investments	6	**810**	-
		78,671	37,080
Current assets			
Trade and other receivables	14	**5,827**	4,241
Income tax receivable		**168**	28
Cash and cash equivalents	16	**21,080**	7,388
		27,075	11,657
Total assets		**105,746**	48,737
LIABILITIES			
Non-current liabilities			
Trade and other payables	15	**6,772**	100
Loans and borrowings	17	**-**	8,000
Deferred tax liability	18	**3,708**	2,133
		10,480	10,233
Current liabilities			
Trade and other payables	15	**17,352**	6,585
Income tax payable		**728**	33
Loans and borrowings	17	**8,000**	1,083
		26,080	7,701
Total liabilities		**36,560**	17,934
Net assets		**69,186**	30,803
Issued capital and reserves attributable to owners of the parent			
Share capital	19	**666**	502
Share premium		**38,975**	10,608
Merger reserve		**11,253**	3,013
Shares to be issued	25	**1,674**	4,132
Available for sale reserve	6	**810**	-
Capital contribution		**13,707**	14,271
Share option reserve		**1,911**	266
Foreign currency translation reserve		**2,572**	7
Retained earnings		**(2,382)**	(1,996)
Total equity		**69,186**	30,803

The notes in the following pages form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 August 2016

	Note	**2016 £'000**	2015 £'000
Cash flows from operating activities			
Loss / (profit) for the year		**(386)**	415
Adjustments for:			
Depreciation of property, plant and equipment	11	**137**	47
Amortisation of intangible assets	12	**4,389**	2,520
Finance expense	5	**697**	793
Finance income		**(25)**	-
Share-based payment expense		**1,645**	266
Income tax expense/(credit)	8	**517**	(55)
		6,974	3,986
Decrease / (increase) in trade and other receivables		**655**	(2,450)
Decrease in trade and other payables		**6,783**	3,080
Cash generated from operations		**14,412**	4,616
Income taxes paid		**(680)**	(68)
Net cash flows from operating activities		**13,732**	4,548
Investing activities			
Acquisition of subsidiaries, net of cash acquired	23	**(19,186)**	(18,061)
Cash held in escrow	14	**(3,000)**	-
Finance income		**25**	-
Purchases of property, plant and equipment	11	**(472)**	(83)
Purchase of intangibles	12	**(377)**	(467)
Capitalised development costs	12	**(1,028)**	(246)
Net cash used in investing activities		**(24,038)**	(18,857)
Financing activities			
Issue of ordinary shares, net of issue costs		**25,890**	10,693
Capital contribution from shareholder		**-**	6,000
Interest paid		**(580)**	-
Repayment of related party borrowings		**(1,083)**	-
Proceeds from borrowings		**-**	8,000
Dividends paid	10	**(564)**	(3,000)
Net cash from financing activities		**23,663**	21,693
Net increase in cash and cash equivalents		**13,357**	7,384
Cash and cash equivalents at beginning of year		**7,388**	-
Exchange gains on cash and cash equivalents		**335**	4
Cash and cash equivalents at end of year	16	**21,080**	7,388

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

The notes in the following pages form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 August 2016

	Share capital £'000	Share premium £'000	Merger reserve £'000	Shares to be issued reserve £'000	Available for sale reserve £'000	Capital contribution reserve £'000	Share option reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total equity £'000
1 September 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**
Loss for the year	-	-	-	-	-	-	-	-	(386)	(386)
Other comprehensive income	-	-	-	-	810	-	-	2,565	-	3,375
Total comprehensive income for the year	-	-	-	-	810	-	-	2,565	(386)	2,989
Contributions by and distributions to owners										
Dividends	-	-	-	-	-	(564)	-	-	-	(564)
Acquisition of business through issue of shares	33	-	8,240	-	-	-	-	-	-	8,273
Acquisition of intangible assets for shares	11	2,447		(2,458)	-	-	-	-	-	-
Capital contribution	-	-	-	-	-	-	-	-	-	-
Share-based payment	-	-	-	-	-	-	1,645	-	-	1,645
Issue of shares, net of share issue costs	120	25,920	-	-	-	-	-	-	-	26,040
At 31 August 2016	**666**	**38,975**	**11,253**	**1,674**	**810**	**13,707**	**1,911**	**2,572**	**(2,382)**	**69,186**

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 as the satisfaction of the initial consideration in respect of the acquisition of the trade and assets of Table Top Entertainment Limited and Tarco Limited.

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

Available for sale reserve	Gains/losses arising on fair value movement of financial assets classified as available for sale.
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 Group’s share option schemes (Refer to note 22).
Foreign currency translation reserve	Gains/losses arising on retranslating the net assets of overseas operations into Sterling as well as inter-company loan balances treated as investment in subsidiaries that the directors believe will not be repaid for the foreseeable future
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 2016

1 Accounting policies

Legal status

Stride Gaming Plc, which includes its subsidiaries and together forms the “Group”, is a public limited 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 for the comparatives.

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.

These financial statements do not constitute the Group’s statutory financial statements for the year ended 31 August 2016 or the year ended 31 August 2015. Statutory accounts will be filed following the Company’s Annual General Meeting. The auditors have reported on these accounts and their report was unqualified.

Changes in accounting policies

a) *New standards, interpretations and amendments effective from 1 September 2015*

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 2015 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

Prior year Group reorganisation

The consolidated financial statements for the comparative year 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.

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 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 in the prior year 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 24.2% shareholding in QSB Gaming Limited was also contributed to the Group in the prior year. The investment met the definition of an available-for-sale financial asset and was therefore recorded at fair value on initial recognition. The fair value is assessed at each reporting date by discounting expected cash flows using a rate based on the market interest rate and the risk premium specific to the investment.

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 inter-group loans considered to be investment in subsidiaries that the directors do not expect to be repaid for the foreseeable future as well as 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 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, as well as "in-app" advertising revenue. 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.

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 – 10 years	Discounted cash flows
Developed software	3 - 10 years	Relief from royalty
Customer relationship	4 - 14 years	Discounted cash flows
Contractual relationship	3 - 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 as incurred.

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	—	10–33% straight line
Computer equipment	—	33-66% straight line
Motor vehicles	—	25% 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.

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 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 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.

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.

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.

	Real money gaming 2016 £'000	**Social gaming 2016 £'000**	**Total 2016 £'000**
Total revenue from external customers	**34,974**	**12,825**	**47,799**
Adjusted EBITDA	**8,213**	**4,105**	**12,318**
Depreciation	**(92)**	**(45)**	**(137)**
Amortisation	**(2,902)**	**(1,487)**	**(4,389)**
Acquisition costs			**(1,090)**
Finance income			**25**
Share-based payments including national insurance			**(1,912)**
Finance expense			**(697)**
Contingent remuneration			**(3,987)**
Group profit before tax			**131**

	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

	External revenue by location of customers		Non-current assets by location of assets	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
United Kingdom	**34,493**	26,188	**19,290**	6,000
Alderney	**-**	-	**36,420**	14,096
Israel	**-**	-	**18,120**	16,079
USA	**8,298**	722	**-**	-
Other*	**5,008**	901	**398**	426
	47,799	27,811	**74,228**	36,601

* Other revenue predominantly relates to the social gaming sector.

3 Operating profit

All items presented below adjusted EBITDA and before operating profit in the consolidated statement of profit or loss are administrative expenses. Total administrative expenses for the year were £22,942,000 (2015: £14,009,000).

Operating profit is stated after charging the following:

	2016 £'000	2015 £'000
Operating lease expenses	**378**	127
Employee benefit expenses (note 4)	**8,145**	3,694
Depreciation of property, plant and equipment	**137**	47
Amortisation of intangible assets	**4,389**	2,520
Auditor's remuneration – audit services	**118**	66
Auditor's remuneration – other assurance services	**42**	8
Auditor's remuneration – tax advisory services	**17**	74
Auditor's remuneration – corporate finance services	**135**	191
Listing costs(a)	**-**	1,179
Acquisition costs(b)	**1,090**	1,893
Share-based payments(c)	**1,912**	306
Contingent remuneration(d)	**3,987**	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 8Ball Games Limited, Netboost Media Limited, and assets of Tarco Limited as well as other aborted acquisition costs. Acquisition costs in the prior year related to the acquisition of the entire share capital of InfiApps Limited. Refer to note 23 for further information.

(c) During the year the Company issued further 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

	2016 £'000	2015 £'000
Employee benefit expenses (excluding Directors and key management personnel)		
Wages and salaries	**4,839**	2,014
Pension costs	**175**	12

Share based payment expense (note 22)	**563**	-
Social security contributions and similar taxes	**384**	79
	5,961	2,105
Benefit expenses of Directors and key management personnel[(a)]		
Wages and salaries	**2,446**	1,180
Pension costs	**87**	15
Share-based payment expense (note 22)	**1,082**	222
Social security contributions and similar taxes	**481**	172
	4,096	1,589
Total employee benefit expense including Directors and key management personnel	**10,057**	3,694

The total employment benefit expense excludes the amounts referred to as contingent remuneration in note 3.

(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 consolidated statement of profit or loss

	2016 £'000	2015 £'000
Loan interest (note 17)	**697**	51
Unwinding of discount on Table Top Entertainment Limited contingent consideration (note 23)	**-**	742
Total finance expense	**697**	793

6 Available-for-sale investment

The Group holds a 24.2% investment in QSB Gaming Limited, an operator of online casino and bingo gaming sites in the Spanish and Italian market and registered in Alderney. 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 31 August 2016 the fair value has been increased from £1 to £810,000. As the security held is unquoted, the fair value has been assessed in the current year based on expected cash flows discounted using a rate of 35% based on the market interest rate and the risk premium specific to the investment.

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 2016		£0.01 ordinary shares at 31 August 2015	
	Number of shares	**Percentage holding**	Number of shares	Percentage holding
Nigel Terrence Payne	**13,889**	**0.02%**	-	-
Stuart Eitan Boyd	**2,425,213***	**3.65%**	2,249,999*	4.49%
Darren Brett Sims	**1,083,510**	**1.63%**	937,498*	1.87%
Ronen Kannor	**-**	**-**	-	-
John Le Poidevin	**44,546**	**0.07%**	37,879	0.08%
Adam David Batty	**22,727**	**0.03%**	22,727	0.05%

* Shares held via trusts.

The following Directors held share options as at 31 August 2016:

	Scheme	**Number of options at 31 August 2016**	Date of grant	Exercise price in £	Vesting period of options
Stuart Eitan Boyd	**Share options**	**750,000**	18 May 2015	1.32	1–3 years
Darren Brett Sims	**Share options**	**750,000**	18 May 2015	1.32	1–3 years
Ronen Kannor	**Share options**	**500,000**	1 May 2015	1.32	1-3 years

In the prior year on the IPO date the Executive Directors received an award of share options, which vest in equal tranches on the first, second and third anniversaries of listing. As announced in the 2015 annual report, the Company committed to make the first long-term incentive award under a new long-term incentive plan in the 2015/16 financial year. However, due to the transaction activity during the year it has not been possible to grant the planned awards to date, but this will happen as soon as dealing restrictions allow. It is anticipated that the awards will be in the form of performance shares, with a three year vesting period subject to stretching performance conditions to be set at the time of grant and 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 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 2016:

	Salaries and fees £'000	Benefits £'000	Bonus £'000	Share options £'000	**Total 2016 £'000**	Total 2015 £'000
Nigel Payne	57	-	-	-	**57**	31
Eitan Boyd	250	35	300	253	**838**	443
Darren Sims	250	32	300	253	**835**	440
Ronen Kannor	150	20	180	165	**515**	274
John Le Poidevin	50	-	-	-	**50**	28
Adam Batty	42	-	-	-	**42**	22
Total	799	87	780	671	**2,337**	1,238

8 Tax expense

	2016 £'000	2015 £'000
Current tax expense		
Current tax on profits for the year	**671**	80
Total current tax	**671**	80
Deferred tax expense		
Origination and reversal of temporary differences (note 18)	**(154)**	(135)
Total deferred tax	**(154)**	(135)
Total tax expense/(credit)	**517**	(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:

	2016 £'000	2015 £'000
Profit for the year	**131**	360
Tax using the Company's domestic tax rate of 20% (2015: 20.6%)	**26**	74
Expenses not deductible for tax purposes	**1,822**	825
Different tax rates applied in overseas jurisdictions	**(1,331)**	(954)
Total tax credit	**517**	(55)

The Group has not recognised deferred tax assets of £401,000 (2015: £168,000) in respect of losses and share options amounting to £2,004,000 (2015: £840,000) that can be carried forward against future taxable income.

9 Earnings per share

Numerator	**2016 £'000**	2015 £'000
Losses / earnings used in EPS and diluted EPS	**(386)**	415

Denominator	**'000**	'000

Weighted average number of shares used in basic EPS	**51,457**	43,770
Basic (loss) / earnings per ordinary share (pence)	**(0.750)**	0.948
Effects of:		
Employee share options	**1,588**	177
Contingent share consideration on acquisition of intangible	**641**	607
Weighted average number of shares used in diluted EPS	**53,686**	44,554
Diluted (loss) / earnings per ordinary share (pence)	**(0.750)**	0.931

Where the result of the Group is a loss for the year there is no dilutive impact. At 31 August 2016 there are a number of shares that are contingently issued which will have a further dilutive effect (refer to note 23).

10 Dividends

An interim dividend of £564,000 (1.1 pence per share) was declared and paid in the year ended 31 August 2016 (2015: £7.5 million). The Board is recommending a final dividend of 1.4 pence per share subject to shareholder approval at the annual general meeting, which has not been accrued at 31 August 2016.

11 Property, plant and equipment

	Fixtures, fittings and equipment £'000	Computer equipment £'000	Motor Vehicles £'000	**Total £'000**
Cost or valuation				
At 1 September 2014	-	-	-	**-**
Acquired through business combination	57	141	-	**198**
Additions	20	63	-	**83**
At 1 September 2015	**77**	**204**	**-**	**281**
Acquired through business combinations	40	30	18	**88**
Additions	209	263	-	**472**
Foreign exchange movements	5	7	-	**12**
At 31 August 2016	**331**	**504**	**18**	**853**
Accumulated depreciation				
At 1 September 2014	-	-	-	**-**
Charge for the year	5	42	-	**47**
At 1 September 2015	**5**	**42**	**-**	**47**
Charge for the year	18	119	-	**137**
Foreign exchange movements	2	5	-	**7**
At 31 August 2016	**25**	**166**	**-**	**191**
NBV				
At 31 August 2014	-	-	-	**-**
At 31 August 2015	72	162	-	**234**
At 31 August 2016	**306**	**338**	**18**	**662**

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 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 1 September 2015	**13,585**	**246**	**2,265**	**14,866**	**7,925**	**38,887**
Acquired through business combinations	282	-	5,855	20,446	10,730	37,313
Additions	377	-	-	-	-	377
Internally generated development costs	-	1,028	-	-	-	1,028
Foreign exchange rate movements	1,464	-	206	926	452	3,048
At 31 August 2016	**15,708**	**1,274**	**8,326**	**36,238**	**19,107**	**80,653**
Accumulated amortisation						
At 1 September 2014	-	-	-	-	-	-
Charge for the year	1,051	18	317	-	1,134	2,520
Foreign exchange rate movements	-	-	-	-	-	-
At 1 September 2015	**1,051**	**18**	**317**	**-**	**1,134**	**2,520**
Charge for the year	2,129	224	521	-	1,515	4,389
Foreign exchange rate movements	97	6	27	-	48	178
At 31 August 2016	**3,277**	**248**	**865**	**-**	**2,697**	**7,087**
Net book value						
At 1 September 2014	-	-	-	-	-	-
At 1 September 2015	12,534	228	1,948	14,866	6,791	36,367
At 31 August 2016	**12,431**	**1,026**	**7,461**	**36,238**	**16,410**	**73,566**

Software and Licenses

Included within software and licenses additions in the prior year is the acquired software and related programs from NextTec Software Inc, fair valued at £4,132,000, in respect of the underlying gaming platform and software used by Table Top Entertainment. Based on the agreement, the contingent consideration payable (on the first, second and third anniversary) is based on a percentage of net gaming revenue generated from the use of the software up to a maximum of £5,325,000. On 30 September 2015 1,149,071 shares were issued, and post year end on 6 October 2016 a further 846,701 shares were issued. The maximum earn-out was reached by the second anniversary and therefore the full earn-out has now all been settled in shares.

Goodwill

Goodwill is allocated to the following cash generating units.

	2016 £'000	2015 £'000
Spacebar Media	**5,936**	5,936
Table Top Entertainment	**4,008**	4,008
8Ball Games	**6,473**	-
Tarco Assets	**13,973**	-
Social Gaming(a)	**5,848**	4,922
	36,238	14,866

(a) Increase in goodwill year on year is due to movement in foreign exchange.

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 2016 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.

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 2017 and 2018 are based on Board-approved budgets with a long-term growth rate of 2% (2015: 2%) and a discount rate of 13.9% (2015: 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.

8Ball Games

The goodwill and related assets included within this CGU resulted from the acquisition of the entire share capital of 8Ball Games which completed on 31 August 2016 (refer to Note 23). The recoverable amount of £15.3 million, which exceeds the total value of the CGU's assets by £4.0 million, has been determined from value in use calculations based on cash flow projections covering the following five-year period and a calculation in perpetuity.

Operating margins have been based on past experience of the acquired entity and future expectations in the light of anticipated economic and market conditions. Discount rates are based on the Group's weighted average cost of capital, adjusted to reflect the specifics risks of the CGU.

The table below shows what the effect of changes in the key assumptions would have on the recoverable amount.

	Key assumptions used in projections		
	Discount rate	**Operating margin**	**Terminal growth rate**
Key assumptions used in the projections	17.10%	20.94%	2%
Change in assumptions required to equal carrying value	23.27%	16.38%	(11.59%)
Effect of 1% increase in assumption - £'000	(859)	1,237	602
Effect of 1% decrease in assumption - £'000	980	(653)	(527)

Tarco CGU

The goodwill and related assets included within this CGU resulted from the acquisition of certain trading assets of Tarco and the entire share capital of Netboost Media Limited, which completed on 31 August 2016 (refer to Note 23). The recoverable amount of £25.6 million, which exceeds the total value of the CGU's assets by £1.6 million, have been determined from value in use calculations based on cash flow projections covering the following five-year period and a calculation into perpetuity.

Operating margins have been based on past experience of the acquired entity and future expectations in the light of anticipated economic and market conditions. Discount rates are based on the Group's weighted average cost of capital, adjusted to reflect the specifics risks of the CGU.

The table below shows what the effect of changes in the key assumptions would have on the recoverable amount.

	Key assumptions used in projections		
	Discount rate	**Operating margin**	**Terminal growth rate**
Key assumptions used in the projections	17.30%	18.88%	2.00%
Change in assumptions required to equal carrying value	18.38%	18.15%	0.16%
Effect of 1% increase in assumption - £'000	(1,512)	705	1,064
Effect of 1% decrease in assumption - £'000	1,733	(1,988)	(934)

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 in the previous financial year. The recoverable amount of £19.9 million (2015: £21.6 million), which exceeds the total value of the CGU's assets by £0.7 million, 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 2017 and 2018 are based on Board-approved budgets as well as on past experience of the acquired entity. Discount rates are based on the Group's weighted average cost of capital, adjusted to reflect the specifics risks of the CGU.

The table below shows what the effect of changes in the key assumptions would have on the recoverable amount.

	Key assumptions used in projections		
	Discount rate	**Operating margin**	**Terminal growth rate**
Key assumptions used in the projections	18.00%	26.53%	2.00%
Change in assumptions required to equal carrying value	18.71%	26.25%	0.78%
Effect of 1% increase in assumption - £'000	(973)	163	661
Effect of 1% decrease in assumption - £'000	1,103	(350)	(584)

The table below shows what the effect of changes in the key assumptions would have on the recoverable amount in the prior year:

	Key assumptions used in projections		
	Discount rate	**Operating margin**	**Terminal growth rate**
Key assumptions used in the projections	20.00%	29.21%	2.00%
Change in assumptions required to equal carrying value	30.95%	20.62%	(34.80%)
Effect of 1% increase in assumption - £'000	(1,061)	888	670
Effect of 1% decrease in assumption - £'000	1,185	(889)	(599)

13 Subsidiaries

The 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	**2016**	2015
Spacebar Media Limited	United Kingdom	**100%**	100%
SRG Services Limited*	Mauritius	**100%**	100%
Shifttech (Pty) Limited*	South Africa	**100%**	100%
Daub Alderney Limited	Alderney	**100%**	100%
S.T.R Financials Ltd	Israel	**100%**	100%
8Ball Games Limited	United Kingdom	**100%**	-
Netboost Media Limited*	Israel	**100%**	-
InfiApps Ltd*	Israel	**100%**	100%
Madabout Media (2016) Limited*	United Kingdom	**100%**	-
Baldo Line*	Italy	**100%**	100%

* Investment held indirectly.

14 Trade and other receivables

	2016 £'000	2015 £'000
Current		
Trade receivables	**4,352**	1,695
Other receivables	**950**	279
Amounts due from related parties	**-**	1,211
Prepayments	**525**	1,056
	5,827	4,241
Non-current		
Funds held in escrow	**3,000**	-
Other receivables	**416**	248

	2016	2015
	3,416	248

As part of the acquisition of the Tarco assets, which completed on 31 August 2016 (refer to note 23), an amount of £3,000,000 was transferred by the Group to an escrow account, with an intention to cover part of the earn-out payment which will be made to the sellers within 3 months of 31 December 2017, following the end of the earn-out period.

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 2016 there were no trade receivables (2015: £Nil) which were past due and fully impaired. There is currently no provision for impairment for any of the outstanding trade and other receivables (2015: £Nil) with no bad debt expense being recognised in the year (2015: £nil).

15 Trade and other payables

	2016 £'000	2015 £'000
Current		
Trade payables	**2,857**	1,688
Other payables	**2,482**	103
Other taxation and social security	**1,941**	981
Client liabilities and progressive prize pools	**1,828**	1,420
Contingent remuneration	**3,805**	172
Amounts due to related parties	**783**	232
Accruals and deferred income	**3,656**	1,989
	17,352	6,585
Non-current		
Contingent remuneration	**820**	45
Contingent consideration	**5,620**	-
Other payables	**332**	55
	6,772	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 in the prior year. The contingent consideration has arisen from the acquisition of certain trading assets of Tarco Limited on 31 August 2016 (refer to note 23).

16 Cash and cash equivalent

	2016 £'000	2015 £'000
Cash at bank and in hand	**21,080**	7,388

Cash held on behalf of players is held in a separate (unrestricted) bank account.

17 Loans and borrowings

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

	2016 £'000	2015 £'000
Unsecured borrowings		
Other current borrowings[(a)]	**-**	1,083
Current bank borrowings[(b)]	**8,000**	-
	8,000	1,083

Unsecured borrowings		
Non-current bank borrowings[(b)]	**-**	8,000

(a) The short-term interest-free borrowings at 31 August 2015 were due to the previous owners of the InfiApps Ltd business. These were paid in accordance with the terms of the sale and purchase agreement in November 2015.

(b) The full value of the borrowings as at 31 August 2016 is repayable in Sterling on 30 July 2017. The Group has the right to repay the whole or any part of the borrowings at any time before this date and consequently exercised this right post year-end following the refinancing agreed with Barclays (see note 25). 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 2014	-	-
Recognised in profit and loss	110	25
Arising on business combination	121	(2,158)
At 31 August 2015	231	(2,133)
Recognised in profit and loss	(67)	221
Foreign exchange movements	11	(378)
Arising on business combination	42	(1,418)
At 31 August 2016	**217**	**(3,708)**

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	**159**	**-**	**159**	**55**	**-**
Other temporary and deductible differences	**17**	**(11)**	**6**	**(182)**	**5**
Business combinations	**41**	**(3,697)**	**(3,656)**	**281**	**(372)**
Net tax assets/(liabilities)	**217**	**(3,708)**	**(3,491)**	**154**	**(367)**

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12 in the prior year 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**	**-**
Net tax assets/(liabilities)	**231**	**(2,133)**	**1,902**	**135**	**-**

19 Share capital

	Authorised			
	2016 Number	**2016 £'000**	2015 Number	2015 £'000
Total ordinary shares of 1p each	**250,000,000**	**2,500**	250,000,000	2,500

	Issued and fully paid			
	2016 Number	**2016 £'000**	2015 Number	2015 £'000
Ordinary shares of 1p each				
At 1 September	**50,151,315**	**502**	31,201,955	312
Issued on acquisition of business (note 23)	**3,219,499**	**33**	10,464,512	105

Issued on acquisition of intangible	**1,149,071**	**11**		
Issued on capital raising	**12,000,000**	**120**	8,484,848	85
At 31 August	**66,519,885**	**666**	50,151,315	502

During the year 12 million shares were issued on a capital raise with gross proceeds of £27.0 million. Additionally, 1,149,071 shares were issued relating to the acquisition of Nexttec Software Inc, held as shares to be issues, for gross settlement of a liability of £2.5 million.

20 Leases

Operating leases – lessee

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

	2016 £'000	2015 £'000
Not later than one year	**624**	227
Later than one year and not later than five years	**1,371**	309
Later than five years	**10**	-
	2,005	536

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

	2016 £'000	2015 £'000
Not later than one year	**77**	-
Later than one year and not later than five years	**52**	-
	129	-

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;

- contingent consideration; and

- loans and borrowings.

Financial instruments by category

Financial assets

	Available-for-sale		Loans and receivables	
	2016 **£'000**	**2015** **£'000**	**2016** **£'000**	2015 £'000
Available-for-sale investment	**810**	**-**	**-**	-
Cash and cash equivalent	**-**	**-**	**21,080**	7,388
Trade and other receivables	**-**	**-**	**8,718**	3,433
At 31 August	**810**	**-**	**29,798**	10,821

The reconciliation of the opening and closing fair value balance of level 3 financial assets is as follows:

	Available for sale investment **£'000**
As at 1 September 2015 and 2014	**-**
Gain in other comprehensive income	**810**
At 31 August 2016	**810**

The investment, which is within level 3 of the financial reporting hierarchy, represents a 24.2% holding in QSB Limited (refer to note 6). As the security held is unquoted, the fair value has been assessed in the current year based on expected cash flows discounted using a rate of 35% based on the market interest rate and the risk premium specific to the investment.

Financial liabilities

	Fair value through profit and loss		Financial liabilities at amortised cost	
	2016 **£'000**	**2015** **£'000**	**2016** **£'000**	2015 £'000
Contingent remuneration	**-**	**-**	**4,625**	217
Contingent consideration	**5,620**	**-**	**-**	-
Trade and other payables	**-**	**-**	**11,938**	5,487
Loans and borrowings	**-**	**-**	**8,000**	9,083
At 31 August	**5,620**	**-**	**24,563**	14,787

The reconciliation of the opening and closing fair value balance of level 3 financial liabilities is as follows:

	Contingent consideration **£'000**
As at 1 September 2015 and 2014	-
New consideration arrangement – Tarco assets (note 23)	5,620
At 31 August 2016	5,620

For details of the valuation techniques and significant unobservable inputs related to determining the fair value of the contingent consideration, which is classified in level 3 of the fair value hierarchy, refer to note 23.

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.

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 service providers ("PSPs"), from customers who dispute their deposits made after playing on the Group's websites and from B2B platform providers following the acquisitions of 8 Ball and Tarco assets (see note 23) and also stemming from social gaming. Senior management monitors PSP balances on a weekly basis, including aged debtor analysis, and promptly takes corrective action if pre-agreed limits are exceeded.   Similarly, they monitor the B2B platform providers for any potential issues and take prompt 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.

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 2016				
	Sterling £'000	**US Dollar £'000**	**Israeli Shekel £'000**	**Other £'000**	**Total £'000**
Financial assets	**6,689**	**1,338**	**359**	**332**	**8,718**
Financial liabilities	**(22,978)**	**(5,204)**	**(1,584)**	**(417)**	**(30,183)**
Total net exposure	**(16,289)**	**(3,866)**	**(1,225)**	**(85)**	**(21,465)**

	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)

The effect of a 10% strengthening of the US dollar against Sterling at the reporting date on the US dollar-denominated financial instruments carried at that date would, all other variables held constant, have resulted in a decrease in post-tax profit for the year and decrease of net assets of £430,000. A 10% weakening in the exchange rate would, on the same basis, have increased post-tax profit and increased net assets by £ 351,000.

The effect of a 10% strengthening of the Israeli Shekel against Sterling at the reporting date on the Israeli Shekel-denominated financial instruments carried at that date would, all other variables held constant, have resulted in a decrease in post-tax profit for the year and decrease of net assets of £136,000. A 10% weakening in the exchange rate would, on the same basis, have increased post-tax profit and increased net assets by £111,000.

The foreign exchange exposure in the prior year was not material.

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 2016			
	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	**(13,255)**	**(1,934)**	**(6,989)**	**-**
Loans and borrowings	**(150)**	**(8,400)**	**-**	**-**
Total	**(13,405)**	**(10,334)**	**(6,989)**	**-**

	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

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 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 (£)	**Number '000**
Outstanding at 1 September 2014	-	-
Granted during the year	1.32	3,000
Outstanding at 31 August 2015	1.32	3,000
Granted during the year	1.18	2,150
Forfeited during the year	1.32	(63)
Outstanding at 31 August 2016		5,087

The weighted average exercise price of options outstanding at 31 August 2016 was £1.26 (2015: £1.32) and their weighted average contractual life was 3.14 years (2015: 3 years).

Of the total shares options outstanding at 31 August 2016, 1,000,000 had vested (2015: Nil), although not exercised. All other outstanding shares at year end are therefore not exercisable.

The weighted average fair value of each option granted during the period was £1.85 (2015: £0.50).

Included in the outstanding number of options above are 1,601,000 (2015: 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 period under the equity-settled share based remuneration schemes operated by the Group.

	2016	**2015**
Option pricing model used	**Black Scholes**	Black Scholes
Weighted average share price at grant date (£)	**2.89**	1.32
Weighted average exercise price (£)	**1.18**	1.32
Weighted average contractual life (in years)	**3.34**	3
Weighted average expected volatility	**55.19%**	55.77%
Expected dividend growth rate	**0.5%**	0.5%
Weighted average risk-free interest rate	**0.81%**	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.

The share-based remuneration expense comprises:

	2016 £'000	2015 £'000
Equity-settled schemes expense	**1,645**	266
National insurance	**267**	40
Equity-settled schemes, including national insurance	**1,912**	306

23 Business Combinations

Current year acquisitions

The current year acquisitions all completed on 31 August 2016. On completion the Group's market share and brand offering increased. These acquisitions have brought significant scale and a number of leading bingo brands to the Group's business, together with the opportunity for meaningful operational leverage. For both acquisitions, the main factors leading to the recognition of goodwill which is not deductible for tax purposes are the opportunities we now have for significant further improvement through leveraging off the Group's leading software and marketing expertise, together with delivering synergies through cross marketing, lowering of cost per acquisition, increasing customer value and reducing player churn. These factors do not qualify for separate recognition. Each acquisition is detailed below.

Acquisition of 8Ball Games Limited

On 31 August 2016, the Group acquired 100% of the voting equity instruments of 8Ball Games Limited ("8Ball"), a company registered in the UK. The company is an online bingo operator with a 2% market share of the UK online bingo market. It has over 60,000 active players and 74 sites, including Booty Bingo and WeWantBingo. The 8Ball acquisition brings scale and an efficient cross-marketing business intelligence platform utilised to reduce churn and increase lifetime value.

The initial consideration was £11.3 million in cash which was paid on completion of the transaction as well as £1.2 million of assumed debt.

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

	Fair value £'000
Property, plant and equipment	49

Cash	439
Trade and other receivables	1,800
Trade and other payables	(1,878)
Brands	2,702
Developed software	160
Customer relationships	3,865
Deferred tax liability	(1,418)
Total net assets	5,719
Fair value of consideration paid	
Cash	11,281
Assumed debt	1,220
Working capital receivable in cash	(309)
Total consideration	12,192
Goodwill (note 12)	6,473

The purchase agreement also included a one-year earn-out payable to the sellers as contingent consideration if they remain with the acquired company for 12 months' post-acquisition. This element of the consideration is accounted for as remuneration rather than part of the consideration paid to acquire 8Ball in accordance with international accounting standards. Nothing has been recognised in the year as the acquisition completed on the last day of the financial year. The earnout cannot exceed £18 million and is calculated as a multiple of adjusted EBITDA for the 12-month period following completion, less the initial consideration. The first £3,000,000 will be payable by the issue and allotment of shares by reference to the placing price of £2.25 per share. Of the remaining balance, 40% will be payable in cash and 60% by the issue and allotment of further shares with the first £1,000,000 by reference to the placing price of £2.25 and the remainder based on the following pricing terms included within the share purchase agreement:

- average closing share price of the shares, in the ninety days period ending on the last day of the earnout period ("Average Earnout Share Price") save that the Average Earnout Share Price shall not be higher than by 20% ("Upper Earnout Limit") or lower than by 20% of the average closing price of the shares as derived in the ninety days period ending on 31 August 2016 ("Lower Earnout Limit);
- where the Average Earnout Share Price is higher than the Upper Earnout Limit, the Upper Earnout Limit shall be used to calculate the number of shares to be issued and allotted;
- where the Average Earnout Share Price is lower than the Lower Earnout Limit, the Lower Earnout Limit shall be used to calculate the number of shares to be issued and allotted.

Total acquisition costs amounted to £543,000 and these have been recognised in the profit or loss account. Had the acquisition
been made on 1 September 2015, Group revenue would have been £10.8 million higher with an increase in profit after tax of £1.0 million.

Acquisition of Tarco Limited and Netboost Media Limited

On 31 August 2016 the Group acquired certain assets (the "Tarco Assets") of Tarco Limited ("Tarco"), a company registered in Belize and the entire issued share capital of Netboost Media Limited ("Netboost Media"), a company registered in Israel; a marketing business, which provides execution marketing services the Tarco Assets. On this basis the provisional purchase price allocation has been completed on a combined basis. Both Tarco and Netboost Media constitute related parties due to their being common control.

Tarco is an online bingo operator with a 3% market share of the UK online bingo market and has over 63,000 active players. It has twenty-two B2C bingo brands and four B2B brands, including Moon Bingo and Robin Hood Bingo. The Tarco acquisition brings scale and a number of leading bingo brands to Stride Gaming.

The total consideration which cannot exceed £40.2 million for the Tarco Assets and Netboost Media was made up as follows:

Tarco Assets:

- Initial consideration of £16.2 million (on a debt free, cash free basis) paid on completion, of which £7.9 million was paid in cash (before any working capital adjustments) and the balance of £8.3m satisfied by the issue of 3,219,500 new ordinary shares and reflected in the merger reserve; and
- Contingent consideration of up to £22.0 million, equal to a multiple of adjusted EBITDA for the 12-month period ending 31 December 2017, less the initial consideration, which will be payable in a mix of cash and shares as follows:
  - (i) 51.44% in cash; and

(ii) 48.56% by the issue and allotment of further shares based on the Average Earnout Share Price. The Average Earnout Share Price is the average closing share price of the shares of Stride, in the ninety day period ending on the last day of the earnout period, provided that the Average Earnout Share Price shall not be higher than by 20% (twenty percent) ("Upper Earn-out Limit") or lower than by 20% (twenty percent) ("Lower Earn-out Limit") of the initial share price of £2.57. In the event that the Average Earnout Share Price is higher than the Upper Earnout Limit, the Upper Earnout Limit shall be used. In the event that the Average Earnout Share Price is lower than the Lower Earnout Limit, the Lower Earnout Limit shall be used.

Netboost Media:

- Total consideration of £2.2 million (before any working capital adjustments), which was paid in cash on the date of completion.

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

	Fair value £'000
Property, plant and equipment	38
Cash	1,764
Non-current receivables	82
Trade and other receivables	1,414
Deferred tax asset	41
Trade and other payables	(3,430)
Brands	3,153
Developed software	122
Customer and contractual relationships	6,865
Total net assets	10,049
Fair value of consideration paid	
Cash consideration	10,108
Share consideration	8,273
Current contingent consideration net of discounting finance cost	5,620
Working capital payable in cash	21
Total consideration	24,022
Goodwill (note 12)	13,973

The contingent consideration has been recorded as a liability at 31 August 2016 based on the fair value at acquisition date and will be unwound from this date until the consideration is paid. It was calculated based on the Group's expectation of what it will pay in accordance to the sale and purchase agreement. The earnout targets are based on the EBITDA multiple of the annual results for the year ending 31 December 2017.

Total acquisition costs amounted to £302,000 and these have been recognised in the profit or loss account. Had the acquisition been made on 1 September 2015, Group revenue would have been £17.5 million higher with an increase in profit after tax of £1.7 million.

Prior year acquisitions

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:

	Fair value £'000
Client liabilities	(145)
Progressive prize pool	(784)
Other payables	(142)
Cash	929
Property, plant and equipment	66
Brands	1,171
Customer relationships	5,521
Total net assets	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.

Acquisition of Spacebar Media Limited

On 1 February 2015, the Group acquired 100% of the voting equity instruments of Spacebar Media Limited ("Spacebar Media"). Spacebar Media 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, 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.

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

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

The goodwill recognised in the acquisition of Spacebar Media, 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.

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

	Fair value £'000
Property, plant and equipment	67
Cash	585
Trade and other receivables	1,105
Deferred tax asset	120
Trade and other payables	(702)
Loans and borrowings	(848)
Brands	1,094
Developed software	7,778
Customer and contractual relationships	2,404
Deferred tax liability	(2,148)
Total net assets	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

The purchase agreement also included a two-year earn-out payable to the sellers in two tranches as contingent consideration if they remain with the acquired company for a two-year period post-acquisition. This 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 £3,988,000 (2015: £217,000) in the profit or loss account. The first tranche of the earn-out consideration has been calculated based on InfiApps' performance in the financial year and in accordance to the terms and conditions of the purchase agreement. This was paid post year-end in November 2016. The second tranche of the earnout which is payable in November 2017 is calculated based on the Group's expectation of what it will pay in accordance 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.

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 ("Baldo") by way of a capital contribution to the Group. Baldo is a company incorporated under the laws of Italy and holds an online gambling licence from the Italian gambling commission. 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 received payment processing services from a company related by common significant shareholders. Fees charged during the year totalled £538,000 (2015: £662,000). The Group also incurred a fee of £300,000, following the termination of the business relationship between the parties on 1 May 2016. The amount due to the payment processing provider by the Group at 31 August 2016 is £228,000 (2015: receivable of £1,211,000). No impairment has been recognised in respect of this amount (2015: £Nil).

The following transactions were undertaken with the ultimate controlling party in the current and prior year:

- The acquisition of the Tarco Assets and Netboost Media constituted a related party transaction due to the acquired businesses being under common control (see note 23)
- The ultimate controlling party prior to the IPO (IPO completed on 19 May 2015) held cash of £3,041,000 on behalf of the Group. 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;
- Contribution of its 100% investment in the equity share capital of Baldo by way of a capital contribution to the Group in the prior year. 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 2016 and 31 August 2015;
- Acquisition of the IP rights of its designated software used in the business of Daub Alderney Limited for £875,000 in the prior year;
- Contribution of an investment in the equity share capital of QSB Gaming Limited in the prior year. Finance income of £25,000 was received from QSB Gaming Limited in the year (2015: £nil) and
- on 1 February 2015 the Group acquired 100% of the voting equity instruments of Spacebar Media (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.

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 2016 were £3,572,000 (2015: £1,538,000). Total amount due by the Group at 31 August 2016 is £383,000 (2015: £62,000).

In the prior year the Group entered in the following transactions:

- Received execution and management of marketing and software development services from Spacebar Media (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, from 1 September 2014 to 31 January 2015 were £1,000,000.
- 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 due for full repayment in July 2017 and is incurring interest of 7.5% per annum paid monthly in arrears. The full amount of £8,000,000 plus one months of accrued interest at £51,000 was outstanding at 31 August 2016 and 31 August 2015. The Group has the right to repay the whole or any part of the borrowings at any time before this date and consequently exercised this right post year-end following the refinancing agreed with Barclays (see note 25).
- As at 31 August 2015 a total of £1,083,000 of short-term interest-free borrowings were due to the previous owners of the InfiApps business. These borrowings, which were unsecured, were repaid in October 2015.

25 Events after the reporting date

Post-year end on the second anniversary of the acquisition of software and related programs from NextTec Software Inc (refer to note 12), the second part of the contingent consideration was repaid by the issue of 846,701 shares represented by shares to be issued reserve of £1.7 million. This represents the final payment as the maximum consideration has been reached.

In November 2016 the Group entered into an £8.0 million loan facility with Barclays PLC. This committed facility, which will refinance the existing borrowings, matures four years from the date of the initial drawdown, will incur a 3.6 per cent plus LIBOR annual floating interest rate payable quarterly, with the principal sum outstanding also paid on a quarterly basis over the term of the facility.

In November 2016, the first year earn-out of $5.0 million was paid in cash to the previous owners of InfiApps (refer to note 23).

26 Non-cash movements in cash flow statement

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

- From the total consideration payable to acquire the Tarco Assets and the share capital of Netboost Media, £8,274,000 was in the form of issuing shares;
- From the total initial consideration payable to acquire the entire share capital of 8Ball £1,220,000 was in the form of assumed debt.

Corporate information

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Public limited company

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Darren Sims
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