Annual report and financial statements

Registered number 06475845

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> Chief Executive Officer and Founder

Letter from Jason Trost, CEO of Smarkets Limited

The year 2015 was transformational for Smarkets. The Company has enjoyed triple digit growth with revenue increasing by over 425% to £10.4m for the year ended 31 December 2015 (2014 – revenue of £1.9m). This excellent performance generated a profit before tax of £5.2m (2014 – profit before tax of £316k).

Our mission is to deliver a unique and fair event trading experience by offering superior trading technology and industry leading commission rates - currently only 2% and far less than our competitors. We have achieved this by positioning ourselves as innovators in an age-old industry, disrupting the betting landscape with the combination of our lean, yet powerful, financial technology and a focus on transparency. With continuing attention to the platform's engineering and speed, and with only around 1% of the UK market, Smarkets has plenty of scope to increase market share. We believe that our disruption potential is huge.

Technology and user focus are the key ingredients to deliver these strategic aims. Our talented workforce, which has more than doubled in the last two years, has been instrumental in the execution of our strategy. We have worked tirelessly to deliver advances to the technology and so enhance our customer experience. These efforts have manifested themselves in record customer numbers and, by the date of this report, over £3.0 billion of trades had been handled by the platform.

2015 also saw the signing of our first sponsorship deal. In August, we joined forces with London football club Queen Park Rangers FC to become an official kit sponsor for the 2015/16 season. Alongside this, we offered 0% commission on bets for all of their matches throughout the season - an example of how Smarkets generates unprecedented value for the customer.

At the end of the year, we moved to our newly refurbished and state of the art offices at St Katharine Docks, as part of our continuing strategy to invest in technology and infrastructure. We also continue to invest significantly in our workforce. Smarkets has attracted, and continues to attract and retain, the very best talent in the industry, thanks to our self-management approach and culture of inclusion. This remains a top priority for us as we grow.

Applying innovative technology and keeping an eye on costs have helped us become more efficient as a company whilst allowing us to remain flexible. Our profitability per employee is something we are proud of and aim to continue to improve upon as we find new ways to leverage technology and function as a neural network. 2015 has cemented our position as a financial technology company in an industry composed mostly of entertainment and leisure incumbents.

Smarkets is going from strength to strength with a momentum that is undeniable and I am confident of the success of our journey to deliver the unique customer experience that we strive for, and to establish ourselves in the top tier of technology companies.

I would like to take the opportunity to thank everyone for their contribution and commitment to Smarkets in this past year, and I look forward to what is set to be another exciting year ahead.

Jason R. Trost
Chief Executive Officer and Founder

About Smarkets

Smarkets operates a world leading betting exchange platform that offers a secure and transparent platform for peer to peer trading on sporting, political and current affairs events.

Founded in 2008, Smarkets is an innovator in the industry, pioneering the use of financial technology in betting. Our state of the art platform is capable of processing hundreds of bets per second and has allowed us to maintain our industry leading commission rates of 2%, an order magnitude lower than the competition.

Our strengths are technical innovation and trading with a passion, allowing us to push the known boundaries of real-time financial technology.

Financial Highlights

	2015	2014	Increase
Trading volume	**£1,113,883,000**	£390,251,000	**+185%**
Revenue	**£10,400,000**	£1,965,000	**+429%**
Pre-tax profit	**£5,273,000**	£316,000	**+1,568%**
Active traders	**46,393**	13,444	**+245%**

Strategic Report

How we operate and who we are

Smarkets Limited (the "Company") and its subsidiaries (together "Smarkets" or the "Group") own and operate an online betting exchange which enables traders to set odds and bet against other traders, rather than against a bookmaker, on sporting and other events. Unlike bookmakers, the exchange offers two way pricing and odds continually change up to and during the events themselves up until their conclusion. The platform is secure and transparent, with access to deep market data, and is state of the art.

Online betting on sports, politics, and current affairs continues to be a popular and rapidly growing activity in the UK and around the world, and the market for exchange websites is very competitive. As a result, in order to attract users, the Group has to offer a market differentiable experience, and provide a reliable and robust service.

To meet these challenges, Smarkets has developed a website, and an innovative underlying betting engine, which are continually refined and evolving. In particular, the technical development team at Smarkets works continually to find innovative ways of handling the increasingly large volumes of customer, market and transaction data and making it accessible via its website to the community.

Technology

Smarkets believes in innovative technology designed to provide scalable, reliable and highly available systems. The betting exchange software operates like a stock exchange, yet it is easy to use. It allows users to bet on anything from sporting events to political elections in a matter of seconds and with clearly defined potential winnings. This focus on the product and user experience means that the Smarkets platform is fast and efficient, capable of processing a transaction in milliseconds and coping with hundreds of transactions per second.

Across 2015, we introduced Instant Match, a system that matches in-play bets immediately at the requested price for certain football matches. Rather than placing a bet and hoping for the price to still be available, users are matched instantly at the requested price and bets are subject to an 8 second 'Pending' confirmation delay. The delay was put in place to protect users on the exchange from those who may look to gain an unfair advantage.

Business model

Smarkets generates revenue from levying a flat transaction fee, or commission, which is earned on net winnings on individual markets. Thanks to our innovative technology, we are able to offer customers an industry low commission rate of only 2%, an order of magnitude lower than that of our competition. This represents unparalleled value to our customers and, in turn, attracts more users and liquidity to our exchange. The Group also provides liquidity by entering into trades on the market, enhancing the user experience. The positions so arising are closely risk managed. As we grow, our aim is to offer even better prices and further enhance the liquidity of existing and new markets.

Whilst Smarkets has a diverse customer base by channel and by nature, a significant proportion of our revenue is currently derived from 'serious players' or market professionals, such as financial traders. However, we also appeal to the usual sports fan and recreational punters. Customer delivery channels include our affiliate network which has grown significantly in the past year as a referral channel and we have also partnered with Income Access, a digital marketing and technology agency, to deliver a state of the art platform to facilitate further customer acquisition. Irrespective of their nature or the delivery channel, we aim to continue to attract profitable users to the platform by offering unparalleled value.

To date, the business has grown organically and user acquisition has increased mainly via our affiliate program, as well as by word of mouth. Our marketing spend has been kept intentionally low and we have no plans to alter this approach significantly going forward.

Market context

Around 70% of the UK population participates to some extent in betting activity each year, with online betting channels (including mobile) reshaping the industry to become the fastest growing segment of the market. Betting exchanges account for approximately 10.5% of the UK remote market by gross gambling yield, according to the UK Gambling Commission Industry Statistics, 1 November 2014 to 31 March 2015. As such, it has been an opportune time for technology entrants such as Smarkets to acquire market share and establish and cement our position as technology leaders. Our proprietary technology platform allows us to deliver faster solutions than our competitors and offer an enhanced customer experience as a result.

In particular, one of Smarkets' goals for the year ahead is to capitalise on the trend of increasing smartphone technology usage to offer an iOS and Android app to offer customers multi-channel betting options. Market share is expected to further rise as a result.

The Group, through its subsidiary Smarkets (Malta) Limited, holds licences to operate in the UK, Malta and Ireland and over 95% of turnover was generated from these markets in 2015. The principal competition in these jurisdictions, and particularly the UK, is provided by the market leading competitor Betfair, as well as other smaller exchange operators such as Betdaq and Matchbook.

Financial review

Highlights of the 2015 performance were as follows:

	2015 £'000	2014 £'000	Increase
Trading volume (bets placed)	1,113,883	390,251	+185%
Revenue	10,400	1,965	+429%
Cost of sales	(2,059)	(404)	
Gross profit	8,341	1,561	+501%
Administrative expenses	(3,146)	(1,340)	
Other income and expense	78	95	
Profit before tax	5,273	316	+1,568%
Customer account liabilities	9,385	3,079	+205%

	2015	2014	Increase
Active traders	46,393	13,444	+245%

With the continuous evolution of the product range and improved robustness and reliability in operation, the customer base has expanded rapidly. This has reflected in a significant increase in customer account activations and, as a result, trading volumes in the year ended 31 December 2015 over the previous year. Both these measures were particularly high during the World Cup, Cheltenham Festival and Grand National meeting.

Total costs of the Group comprise Cost of sales, which includes betting taxes, payment service provider costs for customer deposits, and costs of new customer incentive schemes such as bonuses, and Administrative Expenses, which largely comprise employee and office related costs. Staff numbers rose from an average of 15 in 2014 to 30 in 2015, with the total headcount at 31 December 2015 being 41.

Rent costs rose substantially in the fourth quarter of 2015, after the Company entered into a 10 year lease commencing 25 September 2015 (with a tenant exercisable break clause after 7 years), for the newly refurbished offices comprising 7th floor of Commodity Quay, St. Katharine Docks, London, E1W 1AZ.

Liabilities to customers at 31 December 2015 amounted to £9,385,000 (2014 - £2,879,000) which were invested in segregated short term non-interest bearing bank deposits. Total assets of the Group at 31 December 2015 were £17,137,000 (2014 - £4,858,000) which includes these segregated bank deposits.

Risks

The Company maintains a register of risks that may impact operations or future activities and results. Key risks identified include:

Technology: Smarkets is primarily a technology company, with all bets taking place online. This exposes the business to the risk of technological failure for whatever reason. To mitigate this, the group invests heavily in its technical workforce and the robustness of its technology and delivery mechanisms, including disaster recovery.

Regulatory: License requirements and other regulatory changes can affect the ability of the Group to conduct business in particular jurisdictions or by limiting activities. Further, regulation imposed on Group companies or customers can increase compliance and regulatory maintenance costs, and thus impact profits. To mitigate these risks, the Group monitors key markets for regulatory changes, and works with regulators in a pro-active fashion to facilitate adherence to new requirements as they evolve.

Event risk: The Group derives its revenues from the outcomes of sporting events, with some outcomes being more favourable than others. As such, a string of poor results can negatively impact profits over a reporting period.

Competition: The online betting market has many providers and the Smarkets customer base and plans for growth are at risk from competitors attracting existing customers and from not being able to attract new customers.

Taxation: Governments may change their approach to the taxation of businesses either generally, or in regards to betting markets specifically, and such changes in individual jurisdictions could have a material impact on the cash-flow and profitability of the Group.

People: Although management prioritises staff incentives, the working environment and the self-management approach, there remains a risk that Smarkets may not be able to continue to attract or retain key talent should circumstances change or attitudes to the Group or betting industry change.

Geopolitical: Smarkets is exposed to developments in the European Union ("EU") as predominantly all of the customer base and the workforce are based in countries that are members of the EU. In particular, on 23 June 2016, the UK electorate voted to discontinue its membership of the EU. It is unknown what the wider regulatory and legal consequences of the UK leaving the EU would be and whilst the risk to Smarkets is mitigated to an extent by the holding of licences both in the UK and elsewhere in the EU (including Malta and Ireland), there remains a risk that the activities of Smarkets might be affected under such circumstances.

Reliance on third parties: Smarkets is reliant on certain third party services, such as those provided by financial institutions, banking and payment suppliers to provide its services. Any withdrawal of such services can have an impact on the Group's ability to operate efficiently.

Financial risks: The Group is exposed to credit risk, liquidity risk, market risk (including open betting position risk), foreign currency risk and interest rate risk as a result of its day to day operations. These are discussed further in note 19 to the financial statements.

Responsible Gambling

Smarkets is committed to ensuring that we maintain and develop a platform that encourages responsible betting activities. Thus we have invested and continue to invest in technological innovations to facilitate us in this effort. In particular, we have fully established:

- A specialist KYC ('Know Your Customer') team responsible for verifying the age and identity of customers, including their nationality and country of residence, as well as reviewing links to anyone identified as having a problem with their gambling.
- A monitoring programme based on machine learning to review customer transactions and identify issues of irresponsible gambling, as well as any suspicious activity.
- Customer driven deposit and loss limits with "cooling-off" periods that have to be observed before they can be increased.
- "Time-out" options for customers to take a short break from their gambling and reassess their choices, as well as self-exclusion tools for customers who would like their account closed for a minimum of six months or over a longer period.
- Responsible gambling training for all customer-facing staff.
- Information sources directing employees and customers to organisations that can help people work through their concerns.

People

Recruitment and retention: Recruiting, developing and retaining talented and motivated technical and non-technical employees are management priorities. It is essential in a competitive market, that we continue to recruit the engineers, researchers, mathematicians, quantitative analysts and other specialists to help us to continue to evolve and add fresh perspectives to our innovations. Further, integrating new talent in the right way has been key to retention, and we have enjoyed extremely low levels of staff churn for a fast growing technology company.

Diversity: We pride ourselves in a workforce with representation from over 20 nationalities who have made Smarkets their home. Our hiring efforts are aimed at capturing the brightest talent from around the world irrespective of gender, age, disability, ethnicity, nationality, sexual orientation, and religion or other beliefs.

Culture: At Smarkets, trust is the driving force. We are revolutionising the way companies work in Europe by being one of the first to advocate and implement a self-management culture known as 'teal'. We believe humans work better, are more motivated and more efficient when given the freedom to thrive as part of a functioning neural network. Being given the freedom to self-manage whilst bringing their true identities to work every day is a novel idea but an important part of our employee brand. The transparent culture makes everyone more involved in the Company giving them a clearer path towards what they are working on and ensuring people are committed and challenged. The lack of cumbersome layers of friction and bureaucracy means we are left with a leaner, smarter workforce that can use their full talents to fulfil our purpose.

By order of the Board,

Jason R. Trost
Chief Executive Officer

7 July 2016


SMARKETS

Directors' Report

The Board of Directors (the "Directors") present their Report and the audited financial statements for the year ended 31 December 2015.

The Directors' Report should be read in conjunction with the other sections of this Annual Report including the Strategic Report on page 3 in which the principal activities of the Group and those factors likely to affect its future development, together with a description of its financial position are described. The following also form part of this report:

- The information relating to financial instruments, as provided in the notes to the financial statements.
- The related party transactions as set out in the notes to the financial statements.
- An indication of likely future developments in the business and particulars of significant events which have occurred since 31 December 2015.

Directors

The Directors who held office throughout the year and the preceding year were as follows:

Jason R. Trost - Chief Executive Officer and Company Secretary

Robert Simon Dighero

Randeep Singh Wilkhu

Share capital and dividends

There have been no changes to the authorised or issued share capital of the Company during the year ended 31 December 2015.

The directors do not recommend the payment of a dividend.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Research and development

In developing the online betting exchange platform discussed in the Strategic Report on page 3, the Group has continually to refine and develop the underlying software and infrastructure that supports its operation. In particular, the Company's technical development team has to continually work to find innovative ways of handling the increasingly large volumes of customer, market and transaction data and making it accessible via its website to the user community.

Subsequent events

No other matters arose in the period from the balance sheet up to the date of approval of this Directors' report that merit further disclosure.

Annual Report and Accounts

The Directors are aware of their responsibilities in respect of the Annual Report. The Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

The Statement of Directors' Responsibilities appears on page 9.

After making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. In making this assessment, the directors considered the going concern status for a period in excess of 12 months from the date of signing this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Disclosure of information to auditors

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

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board,

Jason R. Trost
Chief Executive Officer

Commodity Quay
St. Katharine Docks
London
E1W 1AZ
7 July 2016

Statement of Directors' responsibilities in respect of the Annual Report and financial statements

The Directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- For the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- For the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Smarkets Limited

We have audited the financial statements of Smarkets Limited for the year ended 31 December 2015 set out on pages 12 to 51. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's profit for the year then ended;
- The group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- The parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Ashley Rees
Senior Statutory Auditor

For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
7 July 2016

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Revenue	2	10,400	1,965
Cost of sales		(2,059)	(404)
Gross profit		8,341	1,561
Other operating income	3	76	95
Administrative expenses		(3,146)	(1,340)
Operating profit	4	5,271	316
Financial income	7	3	1
Financial expenses	7	(1)	(1)
Net financing expense		2	-
Profit before tax		5,273	316
Taxation	8	(1,039)	1
Profit for the year		4,234	317
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		4,234	317

All income and expenditure relates to continuing operations of the Company.
The notes on pages 16 to 37 form an integral part of these financial statements.

Consolidated Balance Sheet

at 31 December 2015

	Note	2015 £'000	2014 £'000
Non-current assets			
Property, plant and equipment	9	491	33
Intangible assets	10	1	10
		492	43
Current assets			
Tax receivable		-	77
Other financial assets	12	9	-
Trade and other receivables	13	1,136	107
Cash and cash equivalents	14	15,500	4,631
		16,645	4,815
Total assets		17,137	4,858
Current liabilities			
Trade and other payables	15	(9,957)	(2,991)
Corporation taxes payable		(1,115)	(76)
Other financial liabilities	12	(35)	-
Total liabilities		(11,107)	(3,067)
Net assets		6,030	1,791
Equity attributable to equity holders of the Parent			
Share capital	18	14	14
Share premium	18	3,581	3,581
Retained earnings		2,435	(1,804)
Total equity		6,030	1,791

The notes on pages 16 to 37 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 7 July 2016 and were signed on its behalf by:

Jason R. Trost
Director

Company registered number: 06475845

Consolidated Statement of Changes in Equity

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 January 2014	13	2,828	(2,126)	715
Total comprehensive income for the year				
Profit for the year	-	-	317	317
Total comprehensive income for the period	-	-	317	317
Total transactions with owners of the Company				
Issue of shares	1	753	-	754
Share based payment transactions	-	-	5	5
Total transactions with owners of the Company	1	753	5	759
Balance at 31 December 2014	14	3,581	(1,804)	1,791

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 January 2015	14	3,581	(1,804)	1,791
Total comprehensive income for the year				
Profit for the year	-	-	4,234	4,234
Total comprehensive income for the period	-	-	4,234	4,234
Total transactions with owners of the Company				
Share based payment transactions	-	-	5	5
Total transactions with owners of the Company	-	-	5	5
Balance at 31 December 2015	14	3,581	2,435	6,030

The notes on pages16 to 37 form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Cash flows from operating activities			
Profit for the year		4,234	317
Adjustments for:			
Depreciation and amortisation	9, 10	42	
Granting of share options		5	5
Net financial income		(2)	-
Effect of foreign exchange movements		64	21
Taxation	8	1,039	1
		5,382	264
(Increase) / decrease in trade and other receivables		(1,029)	51
Increase in other financial assets		(9)	-
Increase in trade and other payables		6,966	1,884
Increase in other financial liabilities		35	-
		5,963	1,935
Tax credit received		77	115
Net cash from operating activities		11,422	2,414
Cash flows from investing activities			
Interest received		3	1
Acquisition of property, plant and equipment	9	(491)	(9)
Net cash from investing activities		(488)	(8)
Cash flows from operating activities			
Proceeds from the issue of share capital	18	-	754
Interest paid		(1)	(1)
Net cash from financing activities		(1)	753
Net increase in cash and cash equivalents		10,933	3,159
Cash and cash equivalents at 1 January		4,631	1,493
Effect of foreign exchange movements		(64)	(21)
Cash and cash equivalents at 31 December		15,500	4,631

The notes on pages 16 to 37 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

(forming part of the financial statements)

1 Accounting policies

Smarkets Limited (the "Company" or the "Parent") is a company incorporated and domiciled in the UK.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

The Group consolidated financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its Parent company financial statements in accordance with FRS 101; these are presented on pages 38 to 51.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group consolidated financial statements and in preparing an opening IFRS balance sheet at 1 January 2014 for the purposes of the transition to Adopted IFRSs.

The preparation of financial statements in conformity with Adopted IFRSs requires management to exercise its judgement in the process of applying the Company's accounting policies. However, the directors have not had to make any judgements resulting in a material financial impact on the financial statements as a result of the application of these accounting policies.

1.1 Transition to Adopted IFRSs

The Group is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. In these financial statements, the Company has taken the exemption granted by IFRS 2 in respect of share based payments for equity instruments that were granted after 7 November 2002 and that had not vested by 1 January 2014.

When adopting IFRS for the first time, an explanation would normally be required as to how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Group. However, for the years up to and including the year ended 31 December 2014, the Company elected to take the exemption provided by Part 15 of the Companies Act 2006 applicable to small companies not to produce consolidated financial statements for the Group. As such, there is no explanation of differences on transition to Adopted IFRSs that can be provided.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instrument assets and liabilities are stated at their fair value.

1.3 Going concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further information regarding the Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report on pages 3 to 6. In addition, note 19 includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

1.4 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.5 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations are translated to the Group's presentational currency, Pound Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be.

1.6 Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.7 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.8 Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

1.9 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.
Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- Leasehold improvements — 10 years
- Computer equipment — 5 years
- Fixtures and fittings, including office equipment — 5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.10 Intangible assets

Expenditure on internally generated software, goodwill and other intangibles is recognised in the income statement as an expense as incurred.

Expenditure on research activities is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the intangible assets. The estimated useful lives are as follows:

- Other intangibles 3 years

Amortisation methods, useful lives and residual values are reviewed at each balance sheet date.

1.11 Impairment excluding deferred tax assets

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.12 Employee benefits

Pension plans

The Group does not operate a pension plan for employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Group receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Group's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

1.13 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.14 Revenue

Revenue from the Group's online betting exchange arises from the commission earned on betting transactions, recognised on the date that the market for an individual sporting or other event is settled.

Revenue from betting activities with other counterparties on sporting and other events comprises the aggregate amount due in respect of winning bets shown after deduction of the amounts lost on losing bets and any commissions incurred.

The value of open betting positions is recognised in revenue based on the best estimate of the amount that will be required to settle the position at the balance sheet date. The transactions are accounted for as derivatives at fair value in accordance with note 1.8 above with the change in value being recognised in revenue.

1.15 Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.17 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.17 IFRS not yet applied

The following IFRS have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 9 Financial Instruments
  (effective 1 January 2018)
- IFRS Revenue from Contracts with Customers
  (effective 1 January 2017)
- IFRS 16 Leases
  (effective from 1 January 2019)
- Annual Improvements to IFRSs – 2012-2014 Cycle
  (effective 1 January 2017)

2 Revenue

	2015 £000	2014 £000
Net revenue from betting activity on sporting and other events	10,400	1,965
Total revenue	10,400	1,965

3 Other operating income

	2015 £000	2014 £000
Credit card commission income	56	22
Software consultancy fees	20	29
Office space sub-lease income	-	44
	76	95

4 Expenses and auditor's remuneration

Included in profit are the following:

	2015 £000	2014 £000
Research expensed as incurred	766	529
Employment costs (note 5)	1,567	744
Foreign exchange losses	20	47
Depreciation of property, plant and equipment (note 9)	32	11
Amortisation of intangible fixed assets (note 10)	10	9
Operating lease rentals (note 20)	342	61
Auditors' remuneration:		
For audit of these financial statements	44	-
For taxation compliance services	8	-

For the year ending 31 December 2014, the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies, and the shareholders did not require the Company to obtain an audit of its accounts for that year in accordance in accordance with section 476.

Amounts receivable by the Company's auditors in respect of the audit of financial statements of subsidiaries of the Company amounted to £7,000 for the year ended 31 December 2015 (2014 - £Nil).

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	Number of empolyees	
	2015	2014
Software engineers	21	9
Business operations	7	5
Management and Administration	2	1
	30	15

The aggregate employment costs of these persons were as follows:

	£000 2015	£000 2014
Wages and salaries	1,403	666
Share based payments (note 17)	5	5
Social security costs	159	73
	1,567	744

6 Directors' Remuneration

The compensation of Jason R. Trost, the Chief Executive Officer of the Company, was as follows:

	2015 £	2014 £
Salary and bonuses	136,667	66,668
Social security costs	17,741	8,102
	154,408	74,770

Neither of the other Directors received any compensation from the Company for their services for the year ended 31 December 2015 (2014 - £Nil).

7 Financial income and expense

	2015 £000	2014 £000
Financial income recognised in profit or loss		
Interest income on financial assets	3	1
Total financial income	3	1
Finance expense recognised in profit and loss		
Interest expense on financial liabilities	(1)	(1)
Total financial expense	(1)	(1)

8 Taxation

Recognised in the income statement	2015 £000	2014 £000
Current tax expense/(credit) Current year	1,039	(3)
Current tax expense	1,039	(3)
Deferred tax expense		
Accelerated capital allowances	44	-
Reversal of temporary timing differences	-	2
Tax value of loss carry-forwards	(44)	-
Deferred tax expense (note 16)	-	2
Tax expense/(credit) recognised in income statement	1,039	(1)
Total tax recognised in other comprehensive income	-	-
Total tax recognised directly in equity (i.e. not in comprehensive income)	-	-

Reconciliation of effective tax rate	2015 £000	2014 £000
Profit for the year	4,234	317
Total tax (credit) / expense	1,039	(1)
Profit excluding taxation	5,273	316
Tax using the average UK corporation tax rate of 20.25% (2014 – 21.5%)	1,067	68
Effect of tax rates in foreign jurisdictions	192	34
Non-deductible expenses	25	10
Research and development tax credit	(201)	(96)
Utilisation of previously unrecognised tax losses	(44)	(16)
Other	-	(1)
Total tax (credit) / expense	1,039	(1)

Reductions in the rate of UK Corporation Tax from 23% to 21% (effective from 1 April 2014) and to 20% (from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2018) were substantively enacted on 26 October 2015.

9 Property, plant and equipment

	Leasehold improvements £000	Computer equipment £000	Fixtures and fittings £000	Total £000
Cost				
Balance at 1 January 2014	-	62	5	67
Additions	-	7	2	9
Balance at 31 December 2014	-	69	7	76
Balance at 1 January 2015	-	69	7	76
Additions	352	58	81	491
Disposals	-	(40)	(4)	(44)
Balance at 31 December 2015	352	87	84	523
Depreciation and impairment				
Balance at 1 January 2014	-	(31)	(1)	(32)
Depreciation charge for the year	-	(10)	(1)	(11)
Balance at 31 December 2014	-	(41)	(2)	(43)
Balance at 1 January 2015	-	(41)	(2)	(43)
Depreciation charge for the year	(5)	(17)	(10)	(32)
Disposals	-	39	4	43
Balance at 31 December 2015	(5)	(19)	(8)	(32)
Net book value				
At 1 January 2014	-	31	4	35
At 31 December 2014	-	28	5	33
At 31 December 2015	347	68	76	491

10 Intangible assets

	Other intangibles £000	Total £000
Cost		
Balance at 1 January 2014, 31 December 2014, 1 January 2015 and 31 January 2015	28	28
Amortisation and impairment		
Balance at 1 January 2014	(8)	(8)
Amortisation for the year	(9)	(9)
Balance at 31 December 2014	(17)	(17)
Balance at 1 January 2015	(17)	(17)
Amortisation for the year	(10)	(10)
Balance at 31 December 2015	(27)	(27)
Net book value		
At 1 January 2014	20	20
At 31 December 2014	11	11
At 31 December 2015	1	1

The amortisation charge is recognised in the Administrative Expenses line in the Income Statement.

11 Investments in Subsidiaries

The Group and Company have the following investments in subsidiaries.

	Principal place of business/ Country of	Registered number	Class of shares held	Ownership 2015	Ownership 2014
Company and Group					
Green Affiliates	United Kingdom	09342254	Ordinary Shares	100%	100%
Hanson Applied Science Limited	United Kingdom	08509475	Ordinary Shares	100%	100%
Smarkets (Malta) Limited	Malta	C 44795	Ordinary Shares	100%	100%
Smarkets Holdings (Malta) Limited	Malta	C 72638	Ordinary Shares	100%	100%
Robin Trading Limited	Malta	C 73382	Ordinary Shares	100%	100%
Robin Holding Company Limited	Malta	C 73171	Ordinary Shares	100%	100%

Up until 31 May 2016, one share in Smarkets Malta Limited, representing 0.0028% of the company, was held by a third party.

The activities of Smarkets (Malta) Limited are operated under a Class 3 remote gaming licence granted by the Malta Gaming Authority, as well as licences granted by the UK Gambling Commission and the Irish Office of the Revenue Commissioners.

12 Other financial assets and liabilities

	2015 £000	2014 £000
Current asset		
Fair value of open betting positions	9	-
	9	-
Current liability		
Fair value of open betting positions	35	-
	35	-

Open betting position asset and liabilities are derivative positions which are valued at fair value in the balance sheet. The fair valuation methodology is discussed in note 19.

13 Trade and other receivables

	2015 £000	2014 £000
Balances with other betting businesses	278	55
Rent deposits	618	-
Prepayments	181	49
Other debtors	59	3
Total trade and other receivables due within 1 year	1,136	107

At 31 December 2015, there were no receivables that were past due nor considered to be impaired (2014 - £Nil).

14 Cash and cash equivalents

	2015 £000	2014 £000
Cash at bank	15,500	4,631
Total cash and cash equivalents	15,500	4,631

Cash and cash equivalents comprises short term non-interest bearing bank deposits and includes £9,385,000 (2014 - £2,879,000) of assets held in separate bank accounts on behalf of players and which represent the amounts that those players have deposited in order to transact on the Group's betting exchange.

15 Trade and other payables

Tax effected temporary timing differences	2015 £000	2014 £000
Player account liabilities	9,385	2,879
Betting, indirect and payroll taxation liabilities	125	38
Other betting related trade payables	55	13
Accounts payable and accrued expenses	380	51
Other creditors	12	10
Total trade and other payables due within 1 year	9,957	2,991

The player account liabilities are matched by assets held in separate bank accounts as discussed in note 14.

16 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities were attributable to the following:

Tax effected temporary timing differences	2015 £000	2014 £000
Property, plant and equipment	44	7
Tax value of loss carry-forwards	(44)	(7)
Net deferred tax	-	-

Movement recognised in income	2015 £000	2014 £000
Property, plant and equipment	37	-
Tax value of loss carry-forwards utilised	(37)	-
Other	-	2
	-	2

Unused tax losses in the Company for which no deferred tax asset was recognised amounted to £434,000 at 31 December 2015 (2014 – £644,000).

17 Employee benefits

Share-based payments

The Company operated the following equity-settled share-based payment arrangements during the two years ended 31 December 2015, as follows:

- An employee share based incentive scheme for eligible employees of the Company. The options grant the holder the right to acquire Ordinary shares in the Company and vest over a four year period commencing from the employee's employment start date. The first 25% of the number of options granted vest after 1 year of service, and the remainder vest in equal monthly tranches over the following three years of service. If the employee leaves the employment of the Company during this period then all unvested options are forfeited. All options granted up to 31 December 2015 have an exercise price of £1.00.

  The options issued under this scheme have been issued under the Enterprise Management Initiative ('EMI') arrangements as the Company has met and continues to meet the qualifying criteria. These EMI arrangements provide tax advantages to the option holders.

- An option granted to a related party. This non-transferrable option granted the option to the holder the right to acquire 10,200 Ordinary shares of the Company at an exercise price of £1.00. The option was granted on 10 February 2015 and was exercisable at any time. On 20 May 2016, the holder exercised his option in full and paid £10,200 to receive the 10,200 Ordinary shares.

The number of share options in issue, all of which had an exercise price of £1.00, were as follows:

	Number of options 2015	Number of options 2014
Outstanding at the beginning of the year	66,000	26,550
Exercised during the year	(158)	(5,137)
Granted during the year	10,200	55,750
Lapsed during the year	(342)	(11,163)
Outstanding at the end of the year	75,700	66,000
Exercisable at the end of the year	43,376	15,247

Share based payments continued

The weighted average share price at the date of exercise of share options exercised during the year was £1.00 (2014 - £1.00).

At 31 December 2015, share certificates had not been issued for 363 share options exercised (2014 – 205 shares). These were issued on 2 February 2016.

Valuation methodology

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) as determined using a Black-Scholes model. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the relevant vesting period based upon provision of service by the employees and an estimate of the number of share options that will eventually vest.

The inputs into the Black-Scholes for the share option plans for the share options issued in the years ending 31 December 2015 and 2014 were as follows:

Option Scheme conditions for options issued in the year ended 31 December	2015	2014
Weighted average share price at grant date (pence)	100	100
Weighted average option exercise prices (pence)	100	100
Expected volatility	11%	11%
Expected option life	5 years	5 years
Weighted average contractual life of outstanding share options	8.2 years	9.0 years
Risk-free interest rate	1.5%	1.5%
Expected dividend yield	0.0%	0.0%
Fair-value of options granted in the year (pence)	30.26	25.66

Volatility for the options issued in both 2015 and 2014 was determined by reference to movements in the share prices of the FTSE 350 index for the previous 12 months adjusted for the increased risk of a private company.

The total expenses recognised for the year and the total liabilities recognised at the end of the year arising from share based payments are as follows:

	2015 £000	2014 £000
Equity settled share based payment expense	5	5

18 Capital and reserves

Share capital

Fully paid shares	Series A Preference shares of £0.005 each		Deferred shares of £0.005 each		Ordinary shares of £0.005 each	
	2015	2014	2015	2014	2015	2014
In issue at 1 January	755,489	535,412	124,144	124,144	1,908,131	1,903,199
Issued for cash	-	220,077	-	-	-	4,932
In issue at 31 December	755,489	755,489	124,144	124,144	1,908,131	1,908,131

Fully paid shares	2015 £	2014 £
Allotted, called up and fully paid		
Ordinary shares of £0.005 each	9,540	9,540
Deferred shares of £0.005 each	621	621
Series A Preference shares of £0.005 each	3,777	3,777
Shares classified as shareholders' funds	13,938	13,938

The Ordinary shares and the Series A Preference Shares each constitute a separate class of shareholders of ordinary shares in the Company and, except as set out below, rank pari passu in all respects. All such shares confer equal rights to dividend payments and equal rights to vote at meetings of the Company on a show of hands, each holder of such shares having one vote. On a poll, each holder shall have one vote for each such share held.

The Deferred shares confer no rights to vote or any right to receive dividends.

The Series A Preference Shares are automatically converted into Ordinary shares immediately upon the occurrence of a qualifying IPO otherwise they may be converted at the issue price of the shares held. They are not redeemable for cash.

In the event of liquidation, dissolution or winding up of the Company, the deferred shareholders will receive £1 for the entire issue and the remaining proceeds shall be distributed among the holders of the Ordinary and Series A Preference Shares pro rata to the number oshares held plus any arrears of dividend, provided that the amount of the distribution per share exceeds £15.54. Below this threshold amount, holders of the Series A Preference shares will receive an amount of up to £3.108 per share and then the deferred shareholders will receive £1 for the entire issue. Any remaining proceeds, if any, will then be distributed among the holders of the Ordinary and Series A Preference Shares pro rata to the number of shares held plus any arrears of dividend.

During the year ended 31 December 2014, the Company issued 220,077 Series A Preference shares with an aggregate nominal value of £1,100 for a total consideration of £749,998. Also in the year ended 31 December 2014, share options in respect of 4,932 Ordinary shares were exercised, such shares having an aggregate nominal value of £25 and the total consideration was £4,932.

Dividends

No dividends were paid during the year or the preceding year. No dividends have been proposed by the Directors.

19 Financial instruments

Fair values of financial instruments

Financial assets and liabilities of the Group comprise trade and other receivables, cash and cash equivalents and other betting related financial assets and liabilities including open betting transactions, assets held on trust for players and amounts owing to players.

Fair values

The fair values of all financial assets and financial liabilities together with their carrying amounts shown in the balance sheet are as follows:

		Carrying amount 2015 £000	Fair value 2015 £000	Carrying amount 2014 £000	Fair value 2014 £000
Trade and other receivables	(note 13)	900	900	57	57
Cash and cash equivalents	(note 14)	15,500	15,500	4,631	4,631
Other financial assets	(note 12)				
Open betting transactions		9	9	-	-
Total financial assets		16,409	16,409	4,688	4,688
Trade and other payables	(note 15)	(9,506)	(9,506)	(2936)	(2936)
Other financial liabilities	(note 12)				
Open betting transactions		(35)	(35)	-	-
Total financial liabilities		(9,541)	(9,541)	(2936)	(2936)
Net financial assets		6,868	6,868	1,752	1,752

19 Financial instruments continued

For all financial assets and liabilities except open betting positions, the carrying value approximates to fair value because of their short term maturities.

Open betting asset and liability transactions are derivative positions which are valued at fair value in the balance sheet. These fair values are calculated based upon the latest open market prices on the relevant underlying sporting or other events available at the close of business at the valuation date. As such, the valuation method used falls into Level 2 of the standard financial instruments fair value hierarchy, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 financial instrument Credit risk of the Group arises principally from the Group's receivables from other betting businesses. Customers of the Group are required to deposit monies with the Group sufficient to cover any exposure arising from betting transactions that they then proceed to undertake and, as such, no credit risk arises from such activities.

The exposure to credit risk of other betting businesses comprises deposits made with such businesses so that the Group can undertake betting transactions. These funds may be withdrawn at will to the extent that the amount exceeds the exposure created by open betting transactions entered into with the particular counterparty. As most betting activity occurs on the day of the event to which the transaction relates, the amount of outstanding transactions at the end of any particular trading day tends to be small. The credit risk arising from deposits with other betting businesses is best represented by their balance sheet carrying value which at 31 December 2015 amounted to £278,000 (2014 - £55,000).

No impairment losses have been recognised against such assets.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, to the extent practicable, that there will always be sufficient liquid resources to meet any liabilities or other contractual obligations as they fall due.

The betting transactions of the Group are to a very large extent of a short term nature, much of it occurring on the day of the sporting or other event to which the transactions relate. As such, the Group is well able to monitor its potential liquidity risks and take action accordingly if those risks become exacerbated by stressed conditions.

Further, as customers of the Group are required to deposit monies with the Group sufficient to cover any exposure arising from betting transactions that they then proceed to undertake, and these customer assets are held in segregated cash accounts, the risk of failing to meet the obligations arising on the player transactions is minimised.

The Group has no outstanding borrowings, nor financial liabilities for which the contractual maturity extends beyond one year.

19 Financial instruments continued

Market risk

Market risk is the risk that changes in market prices, such as betting prices, foreign exchange rates, and interest rates, will affect the Group's income or the value of its holdings of financial instruments

Betting position risk

The Group monitors its price risks to open events on an ongoing basis.

Open betting positions on individual events tend to remain limited until the day of the sporting or other event concerned but can then expand rapidly, in the immediate period before the event takes place. When positions arise that exceed the risk appetite of the Risk Manager then hedging transactions are undertaken with other betting businesses to mitigate the exposure.

Management of the Group actively discusses the extent of risk to be taken and also monitors the performance of the risk taking and hedging activities on a daily basis.

Foreign currency risk

The Group is exposed to foreign currency risk primarily from:

- Commissions earned from betting transaction activity where the customer has a settlement currency other than GBP.
- Expenses incurred in operations in jurisdictions in which the local currency is not GBP. In particular, the Group incurs expenses in

Assets deposited by players are retained in the currencies in which they were deposited so mitigating the outstanding liabilities to the players. All betting risk is monitored and settlements are calculated in GBP.

19 Financial instruments continued

At 31 December 2015, the Group's exposure to foreign currency risk was as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts.

31 December 2015	GBP £000	EUR £000	SEK £000	Other £000	Total £000
Cash and cash equivalents	13,189	1,844	180	287	15,500
Other financial assets	9	-	-	-	9
Trade and other receivables	893	7	-	-	900
Other financial liabilities	(35)	-	-	-	(35)
Trade and other payables	(8,325)	(913)	(154)	(114)	(9,506)
Net exposure	5,731	938	26	173	6,868

31 December 2014	GBP £000	EUR £000	SEK £000	Other £000	Total £000
Cash and cash equivalents	3,345	1,177	30	79	4,631
Other financial assets	-	-	-	-	-
Trade and other receivables	57	-	-	-	57
Other financial liabilities	-	-	-	-	-
Trade and other payables	(1,978)	(875)	(25)	(58)	(2,936)
Net exposure	1,424	302	5	21	1,752

Sensitivity analysis

A 10% percent weakening of the principal foreign exchange exposure of EUR against GBP at 31 December 2015 would have decreased equity and profit or loss by £126,000 (2014 - £37,000). This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date and assumes that all other variables, and in particular, other exchange rates remained constant.

A 10% percent strengthening of the above currencies against the pound sterling at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

19 Financial instruments continued

Interest rate risk

The Group has no borrowings and no term cash deposits and, as such, has only a very limited exposure to interest rate risk.

Capital management

The capital structure of the Group consists of the equity attributable to equity holders of the Company comprising Capital and Reserves and Retained Earnings. The Group finances its operations through generation of retained earnings and management of the cash and cash equivalent balances and has sufficient capital to meet its regulatory and operational needs.

To date, as the Company has expanded, retained earnings have been fully reinvested in the business and no dividends have been paid nor are proposed for the year ended 31 December 2015.

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2015 £000	2014 £000
Less than one year	435	-
Between one and five years	2,319	-
More than five years	869	-
	3,623	-

On 4 September 2015, the Company entered into a 10 year lease, with a tenant exercisable break clause after 7 years, for the 7th floor of Commodity Quay, St. Katharine Docks, London, E1W 1AZ. The lease commenced on 25 September 2015 with an annual rental of £580,000, but with the first nine months being rent free.

During the year ended 31 December 2015 £342,000 (2014 - £61,000) was recognised as an expense in the income statement in respect of operating leases.

During the year ended 31 December 2014, the Company recognised £44,000 (2015 - £Nil) as rental income for the sublease of space at a former office.

21 Related parties

Transactions with shareholders

On 12 December 2012, the Company and one of its shareholders, Deutsche Telekom Venture Funds GmbH (the 'Investor'), entered into an instrument by way of deed poll in respect of registered warrants providing the Investor with the right to subscribe in cash for up to 154,960 £0.005 Ordinary shares of the Company. The number of Ordinary shares which the Investor could subscribe for was contingent on the Investor's ability to directly or indirectly increase the revenue or number of user registrations of the Company in accordance with milestones set by the deed poll. The warrant expired unexercised on 12 December 2014.

On 14 June 2016, Jason R. Trost, the Chief Executive Officer, was granted the option to acquire 133,000 £0.005 Ordinary shares in the Company at an exercise price of £1.00. On 1 July 2016, he exercised this option by paying £133,000 to receive the 133,000 Ordinary shares.

Transactions with key management personnel

At 31 December 2015, Directors of the Company and their immediate relatives control 23.7 per cent of the voting shares of the Company.

Other related party transactions

As discussed in note 17, on 10 February 2015, a non-transferrable option was granted to a family member of Jason R. Trost giving the holder the right to acquire 10,200 Ordinary shares of the Company at an exercise price of £1.00. The option was exercisable at any time. On 20 May 2016, the holder exercised his option in full and paid £10,200 to receive the 10,200 Ordinary shares.

22 Ultimate parent company

The Company is the ultimate parent company of the Group.

23 Subsequent events

No other matters arose in the period from the balance sheet up to the date of approval of these financial statements that require further disclosure.

Company Balance Sheet

at 31 December 2015

	Note	2015 £000	2015 £000	2014 £000	2014 £000
Fixed assets					
Intangible assets	27		1	-	11
Tangible assets	28		490	-	33
Investments	29		41	-	37
			532		81
Current assets					
Debtors	30	1,803		359	
Cash at bank and in hand		880		267	
		2,683		626	
Creditors: amounts falling due within one year	31	(371)		(46)	
Net current assets			2,312		580
Total assets less current liabilities			2,844		661
Creditors: amounts falling due after more than one year			-		-
Provisions for liabilities					
Deferred tax liability	32		-		-
Net current assets			2,844		661
Capital and reserves					
Called up share capital	33		14		14
Share premium account			3,581		3,581
Profi t and loss account			(751)		(2,934)
Shareholders' funds			2,844		661

The notes on pages 40 to 51 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 7 July 2016 and were signed on its behalf by:

Jason R. Trost
Director

Company registered number: 6475845

Company Statement of Changes in Equity

	Share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2014	13	2,828	(2,081)	760
Total comprehensive income for the year				
Loss for the year	-	-	(858)	(858)
Total comprehensive income for the year	-	-	(858)	(858)
Total transactions with owners of the Company				
Issue of shares	1	753	-	754
Share based payment transactions	-	-	5	5
Total transactions with owners of the Company	1	753	5	759
Balance at 31 December 2014	**14**	**3,581**	**(2,934)**	**661**

	Share capital £000	Share premium £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2015	14	3,581	(2,934)	661
Total comprehensive income for the year				
Profi t for the year	-	-	2,178	2,178
Total comprehensive income for the year	-	-	2,178	2,178
Total transactions with owners of the Company				
Share based payment transactions	-	-	5	5
Total transactions with owners of the Company	-	-	5	5
Balance at 31 December 2015	**14**	**3,581**	**(751)**	**2,844**

The notes on pages 40 to 51 form an integral part of these financial statements.

Notes to the Company Financial Statements

forming part of the financial statements

24 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

24.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. The Company's profit for the financial year was £2,178,000 (2014 – loss of £859,000).

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position of the Company is provided in note 36.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. In these financial statements, the Company has taken the exemption granted by IFRS 2 in respect of share based payments for equity instruments that were granted after 7 November 2002 and that had not vested by 1 January 2014.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of capital management;

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.
- The effects if new but not yet effective IFRSs.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

24 Accounting policies (continued)

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS101 balance sheet at 1 January 2014 for the purposes of the transition to FRS101.

The preparation of financial statements in conformity with FRS101 requires management to exercise its judgement in the process of applying the Company's accounting policies. However, the directors have not had to make any judgements resulting in a material financial impact on the financial statements as a result of the application of these accounting policies.

24.2 Measurement convention

The financial statements are prepared on the historical cost basis.

24.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency of United Kingdom Pounds Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

24.4 Intangible fixed assets and amortisation

Expenditure on internally generated software and other intangibles is recognised in the profit and loss account as an expense incurred.

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

- Other intangibles 3 years

Amortisation methods, useful lives and residual values are reviewed at each balance sheet date

24.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

- Leasehold improvements 10 years
- Computer equipment 5 years
- Fixtures and fittings, including office equipment 5 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

24.6 Investments in subsidiaries

Investments in subsidiaries are recognised at cost less any provision for impairment

24.7 Impairment excluding deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

24 Accounting policies (continued)

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

24.8 Leases

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense. Finance lease payments.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

24.9 Employee benefits

Pension plans

The Company does not operate a pension plan for employees.

Share based payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

24.10 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

24.11 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash at bank and in hand, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interesyt method.

Cash at bank and in hand

Cash and cash equivalents comprise cash balances and call deposits.

24.12 Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

24.13 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

24.14 Revenue

Revenue from services rendered is measured as the consideration received from customers and represents amounts received for services provided by the Company. It is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

Revenue arises from the provision of software development and support services provided predominantly to other Group companies.

24.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

When losses made by Group companies are surrendered to other Group companies by way of Group Relief, payment is made by the receiving company for the tax effect of those losses.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

25 Remuneration of directors

The compensation of Jason R. Trost, the Chief Executive Officer of the Company for the year ended 31 December 2015 was £136,667 (2014 – £66,668).

Neither of the other Directors received any compensation from the Company for their services for the year ended 31 December 2015 (2014 - £Nil).

No share options were exercised by Directors in the year ended 31 December 2015 (2014 – Nil).

On 14 June 2016, Jason R. Trost, the Chief Executive Officer was granted the option to acquire 133,000 £0.005 Ordinary shares in the Company at an exercise price of £1.00. On 1 July 2016, he exercised this option by paying £133,000 to receive the 133,000 Ordinary shares.

26 Dividends

No dividends were paid during the year or the preceding year. No dividends have been proposed by the Directors.

27 Intangible fixed assets

	Other intangibles £000	Total £000
Cost		
Balance at 1 January 2014, 31 December 2014, 1 January 2015 and 31 January 2015	28	28
Amortisation and impairment		
Balance at 1 January 2014	(8)	(8)
Amortisation for the year	(9)	(9)
Balance at 31 December 2014	(17)	(17)
Balance at 1 January 2015	(17)	(17)
Amortisation for the year	(10)	(10)
Balance at 31 December 2015	(27)	(27)
Net book value		
At 1 January 2014	20	20
At 31 December 2014 and 1 January 2015	11	11
At 31 December 2015	1	1

28 Tangible fixed assets

	Leasehold improvements £000	Computer equipment £000	Fixtures & fittings £000	Total £000
Cost				
Balance at 1 January 2014	-	62	5	67
Additions		7	2	9
Balance at 31 December 2014	-	69	7	76
Balance at 1 January 2015	-	69	7	76
Additions	352	58	80	490
Disposals		(40)	(4)	(44)
Balance at 31 December 2015	352	87	83	522
Depreciation and impairment				
Balance at 1 January 2014	-	(31)	(1)	(32)
Depreciation charge for the year	-	(10)	(1)	(11)
Balance at 31 December 2014	-	(41)	(2)	(43)
Balance at 1 January 2015	-	(41)	(2)	(43)
Depreciation charge for the year	(5)	(17)	(10)	(32)
Disposals		39	4	43
Balance at 31 December 2015	(5)	(19)	(8)	(32)
Net book value				
At 1 January 2014	-	31	4	35
At 31 December 2014 and 1 January 2015	-	28	5	33
At 31 December 2015	347	68	75	490

29 Fixed asset investments

Cost and Net Book Value	2015 £000	2014 £000
At beginning of year	37	37
Additions	4	-
At end of year	41	37

30 Debtors

	2015 £000	2014 £000
Due within 1 year		
Trade debtors	-	2
Amounts owed by group undertakings	977	242
Prepayments and accrued income	156	37
Rent deposit	616	-
Income and other taxes recoverable	54	78
Total creditors due within 1 year	1,803	359
Debtors due after more than 1 year	-	-

At 31 December 2015, there were no debtors that were past due nor considered to be impaired (2014 - £Nil).

31 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	42	18
Amounts owed to group undertakings	30	-
Taxation and social security	54	23
Other creditors	-	-
Accruals and deferred income	245	5
Total creditors due within 1 year	371	46

32 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities were attributable to the following:

Tax eff ected temporary timing differences	2015 £000	2014 £000
Tangible fixed assets	44	7
Tax value of loss carry-forwards utilised	(44)	(7)
Net deferred tax	-	-

Movement recognised in income	2015 £000	2014 £000
Tangible fixed assets	37	-
Tax value of loss carry-forwards utilised	(37)	-
	-	-

Unused tax losses for which no deferred tax asset was recognised amounted to £434,000 at 31 December 2015 (2014 – £644,000).

33 Called up share capital

Fully paid shares	Series A Preference shares of £0.005 each		Deferred shares of £0.005 each		Ordinary shares of £0.005 each	
	2015	2014	2015	2014	2015	2014
In issue at 1 January	755,489	535,412	124,144	124,144	1,908,131	1,903,199
Issued for cash	-	220,077	-	-	-	4,932
In issue at 31 December	755,489	755,489	124,144	124,144	1,908,131	1,908,131

Fully paid shares	2015 £	2014 £
Allotted, called up and fully paid		
Ordinary shares of £0.005 each	9,540	9,540
Deferred shares of £0.005 each	621	621
Series A Preference shares of £0.005 each	3,777	3,777
Shares classified as shareholders' funds	13,938	13,938

33 Called up share capital (continued)

The Ordinary shares and the Series A Preference Shares each constitute a separate class of shareholders of ordinary shares in the Company and, except as set out below, rank pari passu in all respects. All such shares confer equal rights to dividend payments and equal rights to vote at meetings of the Company on a show of hands, each holder of such shares having one vote. On a poll, each holder shall have one vote for each such share held.

The Deferred shares confer no rights to vote or any right to receive dividends.

The Series A Preference Shares are automatically converted into Ordinary shares immediately upon the occurrence of a qualifying IPO otherwise they may be converted at the issue price of the shares held. They are not redeemable for cash.

In the event of liquidation, dissolution or winding up of the Company, the deferred shareholders will receive £1 for the entire issue and the remaining proceeds shall be distributed among the holders of the Ordinary and Series A Preference Shares pro rata to the number of shares held plus any arrears of dividend, provided that the amount of the distribution per share exceeds £15.54. Below this threshold amount, holders of the Series A Preference shares will receive an amount of up to £3.108 per share and then the deferred shareholders will receive £1 for the entire issue. Any remaining proceeds, if any, will then be distributed among the holders of the Ordinary and Series A Preference Shares pro rata to the number of shares held plus any arrears of dividend.

During the year ended 31 December 2014, the Company issued 220,077 Class A Preference shares with an aggregate nominal value of £1,100 for a total consideration of £749,998. Also in the year ended 31 December 2014, share options in respect of 4,932 Ordinary shares were exercised, such shares having an aggregate nominal value of £25 and the total consideration was £4,932.

34 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2015 £'000	2014 £'000
Less than one year	435	-
Between one and five years	2,319	-
More than five years	869	-
	3,623	-

On 4 September 2015, the Company entered into a 10 year lease, with a tenant exercisable break clause after 7 years, for the 7th floor of Commodity Quay, St. Katharine Docks, London, E1W 1AZ. The lease commenced on 25 September 2015 with an annual rental of £580,000, but with the first nine months being rent free.

34 Operating leases (continued)

During the year ended 31 December 2015 £342,000 (2014 - £61,000) was recognised as an expense in the income statement in respect of operating leases.

During the year ended 31 December 2014, the Company recognised £44,000 (2015 - £Nil) as rental income for the sublease of space at a former office.

35 Related party disclosures

Transactions with shareholders

On 12 December 2012, the Company and one of its shareholders, Deutsche Telekom Venture Funds GmbH (the 'Investor'), entered into an instrument by way of deed poll in respect of registered warrants providing the Investor with the right to subscribe in cash for up to 154,960 £0.005 Ordinary shares of the Company. The number of Ordinary shares subject which the Investor could subscribe for was contingent on the Investor's ability to directly or indirectly increase the revenue or number of user registrations of the Company in accordance with milestones set by the deed poll. The warrant expired unexercised on 12 December 2014.

On 14 June 2016, Jason R. Trost, the Chief Executive Officer, was granted the option to acquire 133,000 £0.005 Ordinary shares in the Company at an exercise price of £1.00. On 1 July 2016, he exercised this option by paying £133,000 to receive the 133,000 Ordinary shares.

Transactions with related parties

As discussed in note 17, on 10 February 2015, a non-transferrable option was granted to a family member of Jason R. Trost giving the holder the right to acquire 10,200 Ordinary shares of the Company at an exercise price of £1.00. The option was exercisable at any time. On 20 May 2016, the holder exercised his option in full and paid £10,200 to receive the 10,200 Ordinary shares

Ultimate parent company

The Company is the ultimate parent company of the Group.

36 Explanation of transition to FRS 101 from old UK GAAP

As stated in note 24, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 24 and have been applied in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in the preparation of an opening FRS 101 balance sheet at 1 January 2014 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position and cash flows is set out in the following tables and the notes that accompany the tables.

36 Explanation of transition to FRS 101 from old UK GAAP (continued)

Reconciliation of equity

		1 January 2014			31 December 2014	
		Effect of transition			Effect of transition	
	UK GAAP £000	to FRS 101 £000	FRS 101 £000	UK GAAP £000	to FRS 101 £000	FRS 101 £000
Fixed assets						
Intangible assets note	5	15	20	5	6	11
Tangible fixed assets note	55	(20)	35	43	(10)	33
Investments	37	-	37	37	-	37
	97	(5)	92	85	(4)	81
Current assets	736	-	736	626	-	626
Creditors: amounts due within one year	(68)	-	(68)	(46)	-	(46)
Net current assets	668	-	668	580	-	580
Creditors: amounts falling due after more than one year	-	-	-	-	-	-
Provisions for liabilities						
Deferred tax liability	-	-	-	-	-	-
Net assets	765	(5)	760	665	(4)	661
Capital and reserves						
Called up share capital	13	-	13	14	-	14
Share premium account	2,828	-	2,828	3,581	-	3,581
Profi t and loss account	(2,076)	(5)	(2,081)	(2,930)	(4)	(2,934)
Shareholders' equity	765	(5)	760	665	(4)	661

Note

The effect of transition on tangible and intangible fixed assets represents the reclassification of the other intangibles asset from tangible fixed assets (note 28) to intangible fixed assets (note 27).

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