GAN (UK) Limited

Report and Financial Statements
Year ended 31 December 2021
Company Number: 3883658

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Strategic report

Principal Activities

GAN (UK) Limited ("GAN UK", or "the Company") began its operations in the United Kingdom ("U.K.") in 2002 and listed its ordinary shares of GAN PLC, on AIM, the London Stock Exchange's market for smaller companies in 2013. As discussed further in the Notes to the Financial Statements, pursuant to a scheme of arrangement approved by the shareholders of GAN UK, we migrated the jurisdiction of organization of the group from the U.K. to Bermuda by reorganizing the group ("GAN Group") under GAN Limited ("GAN Bermuda"), a Bermuda company, of which GAN UK is now a subsidiary entity. Additionally, on 7 May 2020, GAN Limited completed our initial public offering ("IPO") in the United States with a listing on the NASDAQ. The Company is a leading business-to-business ("B2B") supplier of Internet gambling software-as-a-service solutions ("SaaS") predominately to the U.S. land-based casino industry through its affiliate entity operations of the GAN Group. We developed a proprietary Internet gambling enterprise software system, GameSTACK™ ("GameSTACK"), which we license to land-based casino operators as a turnkey technology solution for regulated real money Internet gambling ("RMiG"), Internet sports gaming, and virtual simulated gaming ("SIM").

The customers rely on our software to run their online casinos and sportsbooks legally, profitably and with engaging content. Both our RMiG and SIM offerings incorporate powerful loyalty and marketing features aimed at maximizing player engagement. We measure the level of player engagement though key performance measures including Active Player-Daily, Gross Operator *Revenue, and Average Revenue Per Daily Active User, which we track for both RMiG and SIM operations.*

We began our operations in Europe and have since deployed our solutions in the United States, U.K., Italy, and Australia. However, over the past several years we have had an emphasis on supporting land-based commercial and tribal casinos in the United States with their online sports betting and real money gambling operating in the United States. On 14 May 2018, the Supreme Court of the United Sates overturned the Professional and Amateur Sports Act (PASPA), which since 1992 had prevented U.S. states, aside from Nevada, Delaware and Oregon, from engaging in the regulation and taxation of sports betting activities at the intrastate level. The ruling paved the way for states to elect individually whether to allow for regulated sports betting and, by extension, real money iGaming within their borders. Between 14 May 2018 and 20 November 2020, 21 U.S. states, the District of Columbia and Puerto Rico enacted laws legalizing some form of retail and/or online sports betting. Four of these states also legalized real money iGaming, joining Nevada and Delaware, which were the only states with full scale online gambling regulations in place prior to May 2018. Effective 1 January 2021, the Company assigned its legal rights to U.S. customer contracts to GAN Nevada, Inc. (GAN Nevada), its United States affiliate.

The Directors of the Company focus primarily on the profitability of the GAN UK operations, specifically the revenues and net loss.

Revenues
Revenues for the year ended 31 December 2021 were £16,036k compared to £29,352k in the prior year. This decrease is due primarily to the assignment of the legal rights to U.S. customer contracts to GAN Nevada, which was partially offset by the royalty income generated as a result of the exploitation of the intellectual property related to GAN Nevada's operations.

Net loss
During the year, we experienced an increase in net loss. This was the result primarily of the reduction of revenues described above.

Key Performance Indicators

The Board also monitors client-related key performance indicators, including the following:

Gross operator revenue
We define gross operator revenue as the sum of our corporate customers' gross revenue from SIM, gross gaming revenue from RMiG, and gross sports win from real money regulated sports betting. Gross operator revenue, which is not comparable to financial information in conformity with International Financial Reporting Standards ("IFRS"), gives management and users an indication of the extent of transactions that have passed through their platforms and allows management to understand the extent of activity that our platform is processing.

Take Rate
We define Take Rate as a quotient of net revenue retained by the Company over the total gross revenue generated by our customers. Net revenue is calculated by deducting from gross revenue, the statutory taxes, promotional bonuses, and our customer's share defined by commercial agreements. Take Rate gives management and users of our financial statements an indication of the impact of the statutory terms and the efficiency of the commercial terms on the business.

Principal Risks & Uncertainties

The risks outlined below are those that the Directors consider material to our Company. They are not presented in any order of priority. There may be other risks that are either currently unknown or considered by the Directors to be immaterial, which could adversely affect our business, results of operation or financial condition.

The Directors routinely monitor risks that could materially and adversely affect the Company's ability to achieve strategic goals, financial condition and results of operations. The Directors are supported by senior management personnel who collectively play a key role in risk management and regularly report to the Directors.

Changes in regulations
Laws, regulations and taxation in the gambling sector are complex, inconsistent and evolving. We license our products to operators in the online gaming industry whose ability to operate in any jurisdiction may be impacted by changes in regulations. Even in markets where we are currently licensed, there can be no guarantee that a jurisdiction will not change its licensing requirements nor that revenue streams that currently do not require a licence will continue without additional regulations or additional taxation or that further states will regulate online real money iGaming. In addition, new tax legislation in any of the markets in which we operate could negatively impact our results.

As an established regulated supplier to the online gambling sector, we are vigilant over legal and regulatory issues that may apply to our activities, not only in those jurisdictions where we are located but also where our licensees are operating using GAN software and services.

Licensing requirements
In newly regulated markets, new licensing regimes may impose licensing conditions, such as the requirement to locate significant technical infrastructure within the relevant territory or establish real-time data interfaces with the regulator, which may present operational challenges or may stop the licensee from being able to offer the full range of our products.

Additionally, we hold a number of licences for our activities from regulators. The loss of all or any of these licences may adversely impact our revenues and/or reputation. We have established a compliance team, whose role is to develop relationships with regulators, monitor the regulatory environment closely, and ensure continuation of all necessary licences and permits to allow us to continue our business. We closely monitor developments in jurisdictions seeking to introduce or change regulations.

Dependence on technology
Our operations are highly dependent on technology and advanced information systems and there is a risk that such technology or systems could fail. We may be adversely affected by activities such as system intrusions, denial of service attacks, virus spreading and phishing. Technological failures can affect our reputation with our operator customers, players, as well as regulators in the various markets in which we operate.

We have in place data recovery procedures, security measures and business continuity plans in the event of failure or disruption or damage to our technology or systems.

Competition
The online gambling market is highly competitive. The ability to gain new end users and retain them as loyal, active customers can prove difficult in an industry with such wide competition. Failure to compete effectively for customers may result in a decrease in market share as well as a loss of licensees and also the inability to attract new licensees. We closely monitor competition and continue to invest significant resources to improve our technology, products and services.

In addition, we have a diversified geographic base which spreads the competitive risk.

Operating results and liquidity
Since our inception, we have typically operated at a loss. At 31 December 2021 we had an accumulated deficit of £20,037k. For the year ended 31 December 2021 we incurred a net loss of £10,295k. If we incur a significant reduction in revenue, or unexpected operating expenses, we could continue to operate at a loss.

The Directors have stress-tested future cash flows to ensure operational growth and delivery are not compromised.

Reliance on key personnel
Our future success depends on the continued service of senior management and key technical personnel, the retention of whom cannot be guaranteed. Loss of these individuals could negatively affect our reputation and ability expand in new markets and to new customers. In addition, the loss of key personnel could result in additional operating losses or regulatory issues if not properly addressed.

We have a performance evaluation system to identify key talent and ensure that key personnel are appropriately rewarded and incentivised. This is through a mixture of annual bonuses and long-term incentives such as share options.

Novel coronavirus ("COVID-19")
The impact of COVID-19 on our business is uncertain at this time. The closing of casinos could drive more revenue to our online iGaming offerings. However, the economic disruption or uncertainty caused by COVID-19 may cause a general decline in gambling and iGaming. In addition, the cancellation of sporting events has reduced sports betting transactions. Any of these consequences may adversely impact player activity on our platforms, which would negatively impact our business. We continue to closely monitor the ongoing COVID-19 crisis and ensure that sufficient liquidity and mitigation plans are in place.

DocuSigned by:
Dermot Smurfit
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DERMOT SMURFIT
CHIEF EXECUTIVE OFFICER
15 December 2022

Directors' Report

The Directors submit their report and the financial statements of GAN (UK) Limited for the year ended 31 December 2021.

From 2002 until the Company's May 2020 reorganization, the Company operated as GAN PLC, a public limited company under the laws of the England and Wales. Prior to the completion of the Company's U.S. initial public offering, under a scheme of arrangement approved by the shareholders of GAN PLC and appropriate U.K. authorities, each share of GAN PLC was cancelled and re-issued to GAN Limited, which then issued shares of GAN Limited to the former shareholders of GAN PLC in exchange for all outstanding shares of GAN PLC on a one-for-four basis. Each shareholder of GAN PLC received such shareholder's pro rata portion, based on share ownership, of an aggregate of £2,000k in cash or 2.32 pence per share in cash. Immediately subsequent to the share exchange, the shareholders of GAN Limited held the same economic interest as they had in GAN plc prior to the share exchange. Following the reorganization in May 2020, the immediate and ultimate parent and controlling company is GAN Limited, which is registered in Bermuda. Holders of share options in GAN plc also received reciprocal share options, as applicable, in GAN Limited.

Directors

There were no changes to the Directors of the Company. The following Directors held office during the year:

- Dermot Smurfit
- Michael Smurfit Jr.
- Seamus McGill
- David Goldberg

No director holds share options directly in GAN (UK) Limited.

Third-party indemnity provision for Directors

Qualifying third-party indemnity provision is in place for the benefit of all of our Directors.

Director responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities and future developments

The activity of the Company divides into two principal areas, namely: 1) the provision and development of RMiG software and the supply of Internet gaming systems and services to the online industry; and 2) the provision and development of SIM software and underlying systems to existing casino operators in both the United States and other significant international markets. The Company continues to expand in the U.S. market through deployments of new customers in existing markets, as well as into new markets with existing customers.

Results and dividends

The results for the year ended 31 December 2021 show total revenue of £16,036k (2020: £29,352k) and a net loss after tax of £10,295k (2020: loss of £6,647k). The Directors do not recommend the payment of a dividend for 2021 (2020: £nil).

Our financial statements are set out on pages 10 to 12. For a more detailed review of our results see the Financial and Operational Summary in the Strategic Report section.

Please refer to Note 18 to the financial statements for more information on post balance sheet events and overview of the Company's future developments. Effective 1 January 2021, the Company assigned its agreements with US based customers to its affiliate, GAN Nevada, Inc. The Company continues to maintain and service its agreements with European based customers. In addition, GAN UK Limited continues to be the provider of intellectual property and platform services to GAN Group and will be entitled to affiliate revenues based on the GAN Group's operating model.

Please refer to Note 2.8 to the financial statements for more details on financial instruments and Note 3 for details on financial risk management which covers the exposure to credit, liquidity, cash flow and other financial risks.

Political donations and political expenditures

There were no transactions related to political donations or expenditures for the years ended 31 December 2021 and 2020.

Research and development

We maintain our level of investments in software development activities. In the opinion of the Directors, continuity of investment in this area is essential to strengthen our market position and for future growth.

Going concern

Our business activities, together with the factors likely to affect our future performance and position, are set out in the Strategic Report. Notes 3 and 15 to the financial statements set out our financial risk management policies and our exposure to credit risk and liquidity risk.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the period to at least 12 months from approval of this report. Factoring in the parent company, the Directors consider that we have adequate resources to continue in operational existence for the foreseeable future. This includes reviewing the forecast related to the twelve months period following the date of this filing. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Post balance sheet events

There have been no events or occurrences subsequent to 31 December 2021, and through the date of issuance, that require disclosure or have impacted the results of the financial statements herein.

Employees

The Company provide appropriate remuneration packages to ensure that they are able to attract and retain excellent staff. The remuneration committee will also make recommendations to the Board concerning the allocation of share options to employees. Employees are encouraged to raise any concerns they may have with relevant management or the human resources department. The Company believes that it has given full and fair consideration to applications for employment that disabled people make to the Company, the policy for employment, training, career development and promotion of disabled people, and for the continuing employment and training of employees who have become disabled while employed by the Company.

We have, through town hall meetings with our employees to ensure that they are aware of the financial and operational results of the Company, as well as any other information that may be of concern to the employees.

Branches outside the UK

There are no branches that operate outside of the UK. The GAN Nevada entity is a wholly owned subsidiary that operates in the United States.

Corporate Social Responsibility

We maintain an open, honest and responsible approach towards our stakeholders which include our employees, suppliers, customers, investors and the wider community. As both a B2B provider of games of skill and chance in regulated intra-state Internet gambling markets, we have placed our responsible gambling policies and tools at the core of our vision to provide industry-leading entertainment in a socially responsible fashion. The GameSTACK software platform has myriad features for detection and prevention of problem gambling as well as offering tools to end user players to limit their gambling activities online, in compliance with the challenging technical requirements in the United States as well as the United Kingdom and other jurisdictions.

Our platform services enable our casino operators to offer their players an array of tools to control their spending, including *deposit limits, wagering value limits, wagering frequency limits, time limits, definable self-exclusion and/or cooling-off periods.* This, coupled with sophisticated reporting and analytics, allows operators to identify potentially compulsive behaviour and take the required action to ensure the protection of any vulnerable players in line with their operating requirements in the relevant intra-state gambling market. Our teams are extensively trained in the area of responsible gambling, to assist end user players displaying signs of gambling addiction and guide them in the direction to seek assistance. We also, in conjunction with our customers and third-party service partners, provide robust age verification processes to ensure that no minors can access the gambling opportunities provided on our customer's websites.

Regulation
All of our games are certified and tested by leading industry providers for online gaming testing and certification.

Anti-money laundering
GAN provides a range of proprietary and third-party tools to our partners to identify and monitor fraud and money laundering. Our in-house analytics software monitors all deposit and withdrawal attempts as well as all game play. Our system has the ability to notify staff members of any suspicious transactions or gameplay and automatically suspend any account which has been involved in such activity.

Our system also actively monitors all skill games to ensure no user can gain an unfair advantage by using bots or automated gameplay systems. We also provide third-party tools from leading payment processors such as Worldpay, CAMS, Vantiv and LexisNexis in order to perform verification checks on the source of all monies on our networks.

Employees
We are committed to maintaining a working environment in which diversity and equality of opportunity are actively promoted and all unlawful discrimination is not tolerated. We value diversity and to that end recognises the educational and business benefits of diversity amongst its employees, applicants and other people with whom we have dealings. We are committed to ensuring employees are treated fairly and are not subjected to unfair or unlawful discrimination.

Environment
We have a relatively low environmental impact by virtue of the fact that it is an online business. We engage in office recycling for a wide range of materials to reduce the amount of waste sent to landfill.

We also offer a Cycle-to-Work scheme to our employees to help reduce local congestion and pollution as well as to improve employees' health through physical exercise. In addition, we provide a significant contribution towards employees' gym membership.

The strategic report on pages 3 to 4 is approved by the Board of Directors and signed on its behalf by

Statement as to disclosure of information to the auditor

The Directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors has confirmed that they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditor
Grant Thornton UK LLP have been appointed as auditor for the 2021 year-end and have indicated their willingness to continue with their appointment as agreed upon letter of engagement signed on 24 October 2022.

DocuSigned by:

Dermot Smurfit

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On behalf of the Board

DERMOT SMURFIT
CHIEF EXECUTIVE OFFICER
15 December 2022

Independent auditor's report to the members of GAN (UK) Limited

Opinion

We have audited the financial statements of GAN (UK) Limited (the 'company') for year ended 31 December 2021, which comprise the Statement of Comprehensive Income, the Statement of Financial Position and the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report,[1] other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (FRS 101 and the Companies Act 2006)

- We enquired of management concerning the Company's policies and procedures relating to:
    - the identification, evaluation and compliance with laws and regulations;
    - the detection and response to the risks of fraud; and
    - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of management whether they were aware of any instances of non-compliance with laws and regulations orwhether they had any knowledge of actual, suspected or alleged fraud.

- We corroborated the results of our enquires to relevant supporting documentation.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls.

- Our audit procedures involved:
    - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
    - journal entry testing, with a focus on material manual journals, including those with unusual account combinations and those posted directly to the income statement that increased revenue or that reclassified costs from the income statement to the balance sheet;
    - challenging assumptions and judgements made by management in its significant accounting estimates;

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

- In assessing the potential risks of material misstatement, we obtained an understanding of:
    - the entity's operations, including the nature of its revenue sources and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- We did not identify any matters relating to non-compliance with laws and regulations relating to fraud.

Use of our report
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.

DocuSigned by:
Grant Thornton UK LLP
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Anthony Thomas
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

15 December 2022

Statement of Comprehensive Income

For the year ended 31 December 2021 and 31 December 2020

	Notes	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Continuing Operations			
Revenues	4	**16,036**	**29,352**
Distribution costs		(6,621)	(10,085)
Gross Profit		**9,415**	**19,267**
Administrative expenses		(20,129)	(25,920)
Impairment of financial assets		—	6
Total operating costs		(20,129)	(25,914)
Operating loss	5	(10,714)	(6,647)
Finance income (costs)		258	(11)
Loss before taxation		(10,456)	(6,658)
Tax credit	7	161	11
Loss for the year attributable to owners of the Company and total comprehensive loss for the year		(10,295)	(6,647)

Statement of Changes in Equity

For the year ended 31 December 2021 and 31 December 2020

	Share capital £'000	Share premium £'000	Retained deficit £'000	Total equity £'000
At 31 December 2019	860	26,280	(16,229)	10,911
Loss and total comprehensive income for the year	—	—	(6,647)	(6,647)
Proceeds from exercise of stock options	4	133	—	137
Employee share-based payment charge	—	—	5,364	5,364
At 31 December 2020	**864**	**26,413**	**(17,512)**	**9,765**
Loss and total comprehensive income for the year	—	—	(10,295)	(10,295)
Employee share-based payment charge	—	—	7,770	7,770
At 31 December 2021	**864**	**26,413**	**(20,037)**	**7,240**

Statement of Financial Position

For the year ended 31 December 2021 and 31 December 2020

Company Registration No. 3883658

	Notes	At 31 December 2021 £'000	At 31 December 2020 £'000
Non-current assets			
Intangible assets	8	9,012	5,365
Investment in subsidiary undertakings	9	10,935	4,537
Property, plant and equipment	10	661	592
Other non-current assets		363	172
		20,971	10,666
Current assets			
Trade and other receivables	11	12,445	7,144
Prepaids and other current assets		1,128	258
Cash and cash equivalents	12	2,937	36,714
		16,510	44,116
Total assets		37,481	54,782
Current liabilities			
Trade payables and other current liabilities	13	30,241	45,017
		30,241	45,017
Equity attributable to equity holders of parent			
Share capital	14	864	864
Share premium account		26,413	26,413
Retained deficit		(20,037)	(17,512)
		7,240	9,765
Total equity and liabilities		37,481	54,782

The financial statements on pages 10 to 12 were approved and authorised for issue by the Board of Directors on 30 November 2022 and were signed on its behalf by

DocuSigned by:
Dermot Smurfit
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DERMOT SMURFIT
CHIEF EXECUTIVE OFFICER
15 December 2022

Notes to the financial statements

1. General Information

GAN (UK) Limited ("GAN UK", or "the Company") began its operations in the United Kingdom ("U.K.") in 2002 and listed its ordinary shares of GAN PLC, on AIM, the London Stock Exchange's market for smaller companies in 2013. As discussed further in the Notes to the Financial Statements, pursuant to a scheme of arrangement approved by the shareholders of GAN UK, we migrated the jurisdiction of organization of the group from the U.K. to Bermuda by reorganizing the group ("GAN Group") under GAN Limited ("GAN Bermuda"), a Bermuda company, of which GAN UK is now a subsidiary entity. Additionally, on 7 May 2020, GAN Limited completed our initial public offering ("IPO") in the United States with a listing on *the NASDAQ. The Company is a leading business-to-business ("B2B") supplier of Internet gambling software-as-a-service* solutions ("SaaS") predominately to the U.S. land-based casino industry through its affiliate entity operations of the GAN Group. We developed a proprietary Internet gambling enterprise software system, GameSTACK™ ("GameSTACK"), which we license to land-based casino operators as a turnkey technology solution for regulated real money Internet gambling ("RMiG"), Internet sports gaming, and virtual simulated gaming ("SIM").

GAN (UK) Limited is now a private company limited by shares, incorporated in England & Wales under the Companies Act. The address of the registered office is 30 Stamford Street, London, England, SE1 9LQ and the nature of the company's operations, and its principal activities are set out in the strategic report.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of presentation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). *The financial statements have been prepared on a historical cost basis, and in accordance with* the Companies Act 2006. The presentation currency used is sterling and amounts have been presented in round thousands ("£'000s").

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of certain disclosure exemptions conferred by FRS 101 and has not provided:

- a Statement of Cash Flows and related disclosures for cash flows from discontinued activities
- a statement of compliance with IFRS (a statement of compliance with FRS 101 is provided instead)
- additional comparative information for narrative disclosures and information, beyond IFRS requirements
- disclosures in relation to the objectives, policies and process for managing capital
- disclosure of the effect of future accounting standards not yet adopted
- the remuneration of key management personnel
- Related party transactions with two or more wholly owned members of the group

In addition, and in accordance with FRS 101, further disclosure exemptions have been applied because equivalent disclosures are included in the consolidated financial statements of GAN Limited. Additional exemptions from preparing consolidated GAN UK financial statements have been taken because of the inclusion in the consolidated accounts of GAN Limited, which can be obtained from www.gan.com. These financial statements do not include certain disclosures in respect of:

- Financial Instrument disclosures as required by IFRS 7 Financial Instruments: Disclosures
- Fair value measurements – details of the valuation techniques and inputs used for fair value measurement of assets and liabilities as per paragraphs 91 to 99 of IFRS 13 Fair Value Measurement.

2.1.1 Going concern

The Company's business activities, together with the factors likely to affect its future performance and position are set out in the Strategic Report. Notes 3 and 12 below set out the Company's financial risk management policies and exposure to credit risk and liquidity risk.

The Directors have assessed the financial risks facing the business and compared this risk assessment to the net current assets position and dividend policy. The Directors have also reviewed relationships with key suppliers and software providers and are satisfied that the appropriate contracts and contingency plans are in place. The Directors have prepared cash flow forecasts to the twelve months following the approval of this report, which conclude that the Company has adequate resources through to that time.

Factoring in the parent company, the Directors consider that we have adequate resources to continue in operational existence for the foreseeable future. This includes reviewing the forecast related to the twelve months period following the date of this filing. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

2.1.2 Adoption of new and revised standards

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 that have a material impact on the Company's financial statements.

2.2 Foreign currencies

Items included in the financial statements of the Company are measured using the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

Transactions entered into in a currency other than the currency of the primary economic environment in which the Company operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

2.3 Revenue recognition

The Company provides platform and software services to its customers which are central to the real money and simulated iGaming operations. As part of supporting these customers, the Company also provides associated services including development of software, sale of hardware and licensing of patents used in these operations. The Company earns revenue through a number of different streams, including:

- Online iGaming platform and software services
- Development services
- Hardware sales
- Licensing
- Affiliates

In respect of revenue share earned through the Company's iGaming platform and software services, the Company records as revenue the share generated by customers' use of the Company's platform and software in their offering of real money iGaming ("RMiG") and simulated iGaming ("SIM") to their players.

Other than where the Company licenses its patents to customers, the arrangements with customers do not provide the customer with the right to take possession or control of the Company's intellectual property at any time.

The Company sets out below additional detail regarding how they recognize revenue for each of these revenue streams.

Online iGaming platform and software services

Real Money iGaming
GAN generates revenue through service agreements with customers, whereby the Company's customers use the platform and software in operating their RMiG offerings. The Company records revenue based on prescribed calculations of gambling activity detailed in customer contracts, exclusive of the customer's share of proceeds. In accordance with IFRS 15, the performance obligations within these RMiG service agreements are identified where:

- a good or service (or a bundle of goods or services) is distinct; or
- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

The Company's performance obligations are the platform services delivered to its customers. Revenue for these services is recognized over time as the revenue share is earned. Where the consideration is variable over a longer period, revenue is only recognized when it is highly probable that there will not be a future reversal in the amount of revenue recognized.

Outside of this core activity, GAN also provides other services to its clients, such as marketing services, customer services and game content hosting. The Company generates revenue from these services based on fees charged pursuant to applicable contracts, which revenue is recognized over the time during which the services are provided.

Simulated iGaming
GAN provides SIM applications and associated services to its land-based casino clients. The Company records revenue based on prescribed calculations of gambling activity detailed in customer contracts, exclusive of the customer's share of proceeds. The performance obligations within these service agreements, which are identified in the same way as described within RMiG above, are concluded to be the platform services in relation to SIM applications being provided to the Company's land-based casino customers. The Company's customers generate the SIM revenue through these products by virtue of credits purchased by end users.

In accordance with IFRS 15, GAN recognizes revenue share from SIM applications over time as the revenue share is generated and associated services are performed. Associated services that GAN provides include customer services, payment services and marketing services for which GAN charges a fee, typically as a per month charge which the Company recognizes over the time during which the services are provided.

Development services

Gaming Development Services
The Company generates revenue based on fees earned from development of games for use on GAN's RMiG and SIM platforms. The Company recognizes game development revenue when they have satisfied the performance obligations based on indicators of the transfer of control, typically the earlier of customer acceptance or upon receipt of certification of the game.

Platform Development Services
The Company generates revenue from platform development services based on fees earned from the provision of platform development and related services. Revenue from platform and other development services is recognized over time as the Company transfers control of the good or service and, accordingly, satisfies the Company's performance obligation. In accordance with IFRS 15, the performance obligation is satisfied when one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

The Company's platform development services are provided to the customer over time and typically meet one or more of the above criteria for which the Company has an enforceable right to payment, billed at a daily rate, for performance completed to date.

Where revenue is recognized over time, the Company measures progress toward the completion of performance obligations satisfied based on the nature of the services performed. For arrangements related to platform development, revenue is recognized over time and measured using an input method based on effort expended, measured using direct labour incurred in development. As the performance obligations in these instances relate to the provision of development services over time, this method best reflects the transfer of control as the Company meets its performance obligation. In contracts that require a portion of the consideration to be received in advance, at the commencement of the contract, such advance payment is initially recorded as a contract liability.

Hardware Sales
GAN earns revenue from the sale of hardware appliances upon which the GameSTACK software platform is pre-installed. GAN's activities include pre-specification and sourcing of the hardware. The Company obtains control as they pre-install the required software on the physical computing servers and other technical devices. GAN acts as the principal under such arrangements because they take control of the hardware and the related risk. Revenue is recognized at the point in time where the Company's performance obligation has been met, typically when control of the hardware transfers to the customer.

Licensing
GAN generates revenue from the licence of their U.S. patent to major U.S. Internet gambling operators and their affiliated land-based U.S. casino customers. The Company assesses whether the licence provides for:

- a right to access the Company's intellectual property throughout the license period, which results in revenue that is recognized over time; or
- a right to use the Company's intellectual property as it exists at the point in time in which the licence is granted, which results in revenue that is recognized at a point in time.

The Company identified a performance obligation in line with the right to use the entity's licence, which was determined to be distinct, as it exists at the point in time in which the licence is granted. The revenue is recorded upon grant of the licence to the customer.

Revenues comprise amounts earned from business to business ("B2B") and business to consumer ("B2C") activities. B2B activities include revenues derived from the use of the Company's intellectual property in online gaming activities and revenues derived from the game and platform development and related services. All revenues relate to the supply of services. In line with IFRS 15, revenues are recognised as either services recognized on delivery or services recognized in line with usage.

Affiliate Revenue
In line with the global transfer pricing and tax compliance strategy conducted after the reorganization of the GAN Group under GAN Bermuda, new US based customers contracts have been signed with GAN Nevada Inc., our US based affiliate, effective 1 January 2021 and going forward. Further, we intend for all our contracts with US based customers to be assigned to GAN Nevada Inc. during 2021.

GAN UK Limited continues to be the principal operating company, provider of intellectual property and platform services to GAN Group and is entitled to affiliate revenues based on the GAN Group's operating model. GAN UK Limited records affiliate revenue based on services it provides to affiliates within the GAN Group.

2.4 Intangible assets

Externally acquired intangible assets
Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The significant intangibles recognised by the Company with their useful economic lives are as follows:

Licences and trademarks	5 years
Software	3 years
Brand Assets	3 years

Internally generated intangible assets (development costs)
Expenditure incurred on development activities including the Company's software development and related overheads is capitalised only where the expenditure will lead to new or substantially improved products, the products are technically and commercially feasible and the Company has sufficient resources to complete development.

Capitalised development costs are amortised over the years the Company expects to benefit from selling the products developed which is typically three to five years. The amortisation expense is included within the distribution cost line in the statement of comprehensive income.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the statement of comprehensive income as incurred.

Subsequent expenditure on capitalised intangible assets is capitalised only where it clearly increases the economic benefits to be derived from the asset to which it relates. All other expenditure, including that incurred in order to maintain an intangible assets current level of performance, is expensed as incurred.

2.6 Property, plant and equipment

Depreciation is calculated to write off the cost of fixed assets on a straight-line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Fixtures, fittings, and equipment	*3 to 5 years*

Subsequent expenditures are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Company and the cost of the item can be measured reliably. All repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the statement of comprehensive income.

2.7 Impairment of property, plant and equipment, intangible assets and investment in subsidiary undertakings

At each statement of financial position date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less disposal costs and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

2.8 Financial instruments

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred. Financial liabilities are de-recognised when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets held at amortised cost
These assets arise principally from the provision of goods and services to customers (e.g., trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term highly liquid investments that have maturities of three months or less from inception, are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Classification of shares as debt or equity instruments
Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability. An equity instrument is a contract that evidences a residual interest in assets or an entity after deducting all of its liabilities. Accordingly, a financial instrument is treated as equity if:

- there is no contractual obligation to deliver cash or other financial asset or to exchange financial assets or liabilities on terms that may be unfavorable; and
- the instrument is a non-derivative that contains no contractual obligation to deliver a variable number of shares or is a derivative will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company's own equity instruments.

Equity instruments issued by the Company are recorded at the time the proceeds are received, net of direct issue costs.

Trade and other payables
Trade payables are initially measured at their fair value and are subsequently measured at their amortised cost using the effective interest rate method; this method allocates interest expense over the relevant period by applying the 'effective interest rate' to the carrying amount of the liability.

2.9 Current and deferred tax

Taxation represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Research and development tax
Research and development taxation relief is recognised once management considers it probable that any amount claimable will be received.

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled based upon tax rates that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is measured using tax rates that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred tax asset or liability is realised or settled substantively.
Uncertain tax positions

In determining the amount of current and deferred income tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes, interest or penalties may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such a determination is made.

2.10 Investment in subsidiaries
Investments in subsidiaries are held at cost less accumulated impairment losses.

2.11 Share-based payments
Following the GAN Group reorganization, the Company no longer issues equity settled share-based payments to certain employees (including Directors). The share-based payments are now issued by the parent company, GAN Limited, with a charge appearing in the Company's Statement of Comprehensive Income that reflects the element of these charges relating to UK-based employees

Equity settled share-based payments are measured at fair value at the date of grant and expensed over the vesting period, based upon the Company's estimate of equity instruments that will eventually vest, along with a corresponding increase in equity. At each statement of financial position date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

The fair value of share options is determined using a Black-Scholes model, taking into consideration management's best estimate of the expected life of the option and the estimated number of shares that will eventually vest. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

3. Financial risk management

3.1 Financial risk factors
The Company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk Management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates financial risks in close co-operation with the Company's operating segments. The Board provides principles for overall risk management, as well as policies covering specific areas, such as, interest rate risk, non-derivative financial instruments and investment of excess liquidity.

3.2 Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

3.3 Contractual risk

In the ordinary course of business, the Company contracts with various parties. These contracts may include performance obligations, indemnities and contractual commitments. Management monitors the performance of the Company and any relevant counterparties against such contractual conditions to mitigate the risk of material, adverse non-compliance.

3.4 Credit risk

Credit risk is the financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligation. Credit risk arises from the Company's cash and cash equivalents and receivables balances.

3.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. This risk relates to the Company's prudent liquidity risk management and implies maintaining sufficient cash. Management monitors rolling forecasts of the Company's liquidity and cash and cash equivalents on the basis of expected cash flow.

3.6 Fair value estimation

The carrying value less impairment provision of trade and other receivables and payables are assumed to approximate their fair values because of the short-term nature of such assets and the effect of discounting liabilities is negligible.

3.7 Critical accounting estimates and judgements

The preparation of financial statements under international accounting standards in conformity with the requirements of the Companies Act 2006 requires the Company to make estimates and judgments that affect the application of policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Reference is made in this note to accounting policies which cover areas that the Directors consider require estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. These policies together with references to the related notes to the financial statements can be found below:

Judgments	**Notes**
Revenue recognition	3, 4
Share-based payments	16
Capitalisation and impairment of internally generated intangibles	9
Useful life of captialised development costs	2.5
Taxation	7
Contingent liabilities	17

Revenue recognition

Agent vs Principal
Management applies judgement in determining whether GAN acts as principal or agent for arrangements in which the Company additionally contract with the players directly in operating the online casino. In making these judgements, management gives consideration to the contractual terms of each arrangement with casino operator customers and consequently to which party has the primary responsibility for providing the services and is exposed to the majority of the risks and rewards associated with providing the services. Such consideration includes, but is not limited to, assessing indicators such as who is primarily responsible for fulfilling the promise to provide the service, who has the ability to establish prices to help determine who controls the service and who bears the risk. The Company recognizes revenue as principal when they have primary responsibility for providing the services and control the promised good or service before transferring that good or service to the customer.

In evaluating whether the Company is the principal or agent in relation to contracts in which it contracts both with the casino and the players, the key considerations in this determination are the control over the casino and the relationship with the players, including ownership of the related player database. Where the Company has concluded that the casino controls the relationship with the players and owns the player database, the Company acts as an agent of the casino operator users and therefore records revenue on an agency basis and recognize this revenue over time in line with its RMiG revenue recognition policy as described in Note 2.2.

Allocation of transaction price
For certain performance obligations management has estimated the transaction price to be applied to each performance obligation based on an estimation of the stand-alone selling price. This is a significant management estimate, with any increase or decrease to the customer discount impacting the revenue allocation to the performance obligation, in situations where the transaction price is based on a residual approach, which would then impact the revenue recognized in the period.

Share-Based Payments
Management measures equity settled share-based payments at fair value at the date of grant and expenses the cost over the vesting period, based upon management's estimate of equity instruments that will eventually vest, along with a corresponding increase in equity. At each statement of financial position date, management revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

The fair value of share options is determined using a Black-Scholes model, taking into consideration management's best estimate of the expected life of the option and the estimated number of shares that will eventually vest. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Where existing share options are modified, the increase in fair value is spread over the remaining vesting period.

Capitalisation and impairment of internally generated intangible assets
Management reviews expenditures, including wages and benefits for employees, incurred on development activities and based on their judgment of the costs incurred assesses whether the expenditure meets the capitalization criteria set out in IAS 38 and the intangible assets accounting policy in Note 2.5 to the financial statements. Management specifically considers if additional expenditure on projects relates to maintenance or new development projects.

Management reviews the Company's assets at each reporting period to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). To calculate the recoverable amount of the asset, management must make estimates related to future cash flows and discount rates that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately. The Company did not incur an impairment loss in 2021 or 2020.

Useful life of capitalized development costs
The useful life of capitalized development costs is determined by management at the time the software is brought into use and is regularly reviewed for appropriateness. For unique software products controlled and developed by the Company, the life is based on historical experience with similar products as well as anticipation of future events, which may impact their useful economic life, such as changes in technology.

Taxation
Deferred tax assets are recognised to the extent that it is probable future taxable profits will be available against which the temporary differences can be utilised. The key area of judgement is therefore an assessment of whether it is probable that there will be suitable taxable profits against which any deferred tax assets can be utilised. Further details of deferred tax assets recognised are disclosed in Note 7. Judgement is required in respect of the interpretation of tax law and practices, in particular, as e-commerce and international tax continue to evolve. The Company files its tax returns and duty calculations and estimates its tax provisions based on current tax rules and practices and its transfer pricing policy, together with advice received from professional advisors and believes that its accruals for tax liabilities are adequate..

There may be transactions for which the ultimate tax determination cannot be assessed with certainty in the ordinary course of business. The Company recognizes a provision for situations that might arise in the foreseeable future based on an assessment of the probabilities as to whether additional taxes will be due.

4. Revenues

		Year ended 31 December 2021	Year ended 31 December 2020
RMiG			
	Platform and content fees	5,042	14,005
	Development services and other	—	5,519
Total RMiG		5,042	19,524
SIM			
	Platform and content fees	—	5442
	Development services and other	—	893
Total SIM		—	6,335
Affiliate transfer pricing revenue		10,994	3,493
Total Revenue		16,036	29,352

Contract costs relate to commissions paid by the Company which represent incremental costs to obtain the contract for goods and services to be provided by the Company to customers. The costs relate directly to obtaining the contract and are expected to be recovered. They were therefore recognized as an asset from costs to obtain a contract. The asset is *amortized on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of* recognition of the associated revenue. The contract costs were transferred to GAN Nevada as part of the assignment of the legal rights effective 1 January 2021. The contract costs were £147k at 31 December 2020.

Contract liabilities is mainly comprised of prepayments made by customers related to development services not yet performed and therefore revenue has not been recognized. Revenue is recognized at the time services are performed. *The contract liabilities were transferred to GAN Nevada as part of the assignment of the legal rights effective 1 January* 2021. The contract liabilities were £632k at 31 December 2020.

5. Operating loss

Operating loss has been arrived at after charging:

	Year ended 31 December 2021	Year ended 31 December 2020
Staff costs	6,759	3,065
Auditor's remuneration:		
Audit	60	45
Amortisation of intangibles and contract costs	2,790	2,275
Depreciation on property, plant and equipment	284	326
Foreign exchange losses (gains)	1,108	(385)
Royalty expense	5,095	3,961
Marketing expense	1,621	314
Employee share-based payment charge	980	3,148

Staff costs charged to the income statement, as shown in the table above are less amounts capitalised in the year of £3,319k (2020: £2,650k) as part of capitalised development costs reflected within Note 10 of the financial statements.

6. Staff costs

	Year ended 31 December 2021	Year ended 31 December 2020
The average number of employees (including executive Directors) was:		
Management	10	10
Administration and technical staff	104	45
	114	55

	Year ended 31 December 2021	Year ended 31 December 2020
The aggregate remuneration of the above employees comprised (including Directors):		
Wages and salaries	8,762	4,569
Social security costs	1,072	1,048
Pension costs	222	98
Employee share-based payment charge	980	3,148
	11,036	8,863

Total staff costs included in capitalised development costs for the year were £3,319k (2020: £2,650k) and are reflected within Note 8.

The remuneration of the Directors, who are part of the key management personnel of the Company was £905k for the year ended 31 December 2020. The highest paid director was paid £569k. In 2021, the Directors' were no longer responsible solely for the GAN UK entity, and were responsible for the GAN Bermuda, the parent company, and were compensated through that entity.

During both 2021 and 2020, no directors were accruing pension benefits from the Company. One Director exercised share options of the Company in the prior year. The value of gain made from the exercised share options was £115k. There are no options outstanding in the Company in 2021 as a result of the GAN Group's reorganization.

No other key management personnel of the Company are employed by GAN (UK) Limited.

7. Taxation

	Year ended 31 December 2021	Year ended 31 December 2020
Current tax charge	7	108
Tax charge / (credit) relating to prior periods	(168)	(119)
Tax charge /(credit) on profit (loss) on ordinary activities	(161)	(11)

The tax charge / (credit) can be reconciled as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Loss before taxation	(10,576)	(6,658)
Loss before taxation multiplied by the average standard rates of corporation tax in the U.K. of 19%	(2,009)	(1,265)
Effects of:		
Other permanent and similar differences, including expenses not deductible for tax purposes	(126)	470
Current year tax losses not utilised / recognized	2,135	795
Effects of tax rates in foreign jurisdictions	110	108
Utilisation of brought-forward tax losses	(103)	—
Prior year adjustment	(168)	(119)
Tax credit on loss on ordinary activities	(161)	(11)

The Company has maximum corporation tax losses carried forward of £32,512k at 31 December 2021, and £18,593k at 31 December 2020.

Tax losses are recognised as a deferred tax asset by the Company when there is sufficient evidence that the amount will be recovered against foreseeable profits considering the loss for the period and sensitised forecast profits.

For 2021 and 2020, no deferred tax asset has been recognized as there is uncertainty regarding when suitable future profits against which to offset the accumulated tax losses will arise. There is no expiration date for the accumulated tax losses. *Subject to any relevant restrictions, it expects these to be available to carry forward and offset against future* operating profits.

The Company has an unrecognised deferred tax asset as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Tax losses carried forward	6,177	3,533
Depreciation in excess of capital allowances	(759)	(239)
Share-based payments	1,808	1,627
Short-term timing differences	17	28
Total	7,243	4,949

8. Intangible assets

	Brand Assets	Development Costs	Licence Costs	Software	Total
Cost					
At 31 December 2020	252	21,453	902	254	22,861
Additions	—	6,052	143	23	6,218
Disposals	—	(6,042)	—	—	(6,042)
At 31 December 2021	252	21,463	1,045	277	23,037
Accumulated amortisation					
At 31 December 2020	252	16,559	660	25	17,496
Charge for the year	—	2,561	100	90	2,751
Disposals	—	(6,018)	—	—	(6,018)
At 31 December 2021	252	13,102	760	115	14,229
Net book value					
At 31 December 2020	—	4,894 –	242 –	229	5,365
At 31 December 2021	—	8,361	285	162	8,808

The Company did not record impairment charges on intangible assets or any recoveries of previously recorded impairments for the years ended 31 December 2021 and 2020.

No intangible assets were pledged as security against liabilities in any period.

On December 8, 2021, the Company completed the acquisition of Silverback Gaming Limited ("Silverback Gaming") for cash consideration of $270k. Silverback Gaming is a start-up software company that develops online casino slot games. The Company's strategy was to acquire the start-up business to obtain the skilled workforce and launch a content studio. Silverback Gaming had minimal assets and liabilities and therefore, the Company recorded goodwill of £204k on the acquisition date. Goodwill arising from the acquisition is deductible for tax purposes.

9. Investment in subsidiary undertakings

	Total
Cost	
At 31 December 2020	4,537
Additions	6,398
At 31 December 2021	10,935

Additions to investment in subsidiary undertakings, during the year-ended 31 December 2021, results from the allocation of equity-settled share-based payments expense to the subsidiaries of Company.

The Company owns 100% of the called up ordinary share capital of the following:

- GameAccount Alderney Ltd. The principal activity of GameAccount Alderney Ltd is the provision of person-to-person skill-based gaming software. GameAccount Alderney Ltd is registered in Alderney with its registered address at Inchalla, Le Val, Alderney, GY9 3UL.
- GAN Nevada Inc. GAN Nevada Inc. employs the GAN Group's top executives, sales, management and finance employees, and is the contracting entity for all U.S. B2B operations. GameAccount Nevada Inc. is registered in the US, with its registered address at 400 Spectrum Center Drive, Suite 1900, Irvine CA 92618.
- GAN Software Services BG Ltd. The principal activity of GAN Software Services BG Ltd is the provision of software development services in support of the Group. GAN Software Services BG Ltd is registered in Bulgaria, with its registered address at Sofia 1202, r-n Oborishte, ul. G.S. Rakovski 42, UIS 204164230.
- Lockbox Games Ltd. The principal activity of Lockbox Games Ltd is the provision of casual mobile games anticipated in future periods. Lockbox Games Ltd is a dormant company registered in England and Wales with its registered address at 30 Stamford Street, London, England, SE1 9LQ
- GAN Digital Ltd. The principal activity of GAN Digital Ltd is the provision of marketing services. GAN Digital Ltd is registered in Israel with its registered address at 31 Ahad Ha'am Street, Tel Aviv 6520204.
- GAN Services Ltd. GAN Services Ltd is a dormant company registered in England and Wales with its registered address at 30 Stamford Street, London, England, SE1 9LQ
- GAN Chile SpA. The principal activity of GAN Chile SpA is a dormant company registered in Chile with its registered address at Roman Diaz 205 oficina 102, Providencia, Santiago, Chile
- GAN Ontario, Inc. The principal activity of GAN Ontario, Inc. is the provision of person-to-person skill-based gaming software. GAN Ontario, Inc. is registered in Ontario, Canada with its registered address at 2200-199 Bay Street, Toronto, ON M5L 1G4, Canada

10. *Property, plant and equipment*

	Fixtures, Fittings and Equipment	Platform Hardware	Total
Cost			
At 31 December 2020	331	1,115	1,446
Additions	190	163	353
At 31 December 2021	521	1,278	1,799
Accumulated amortisation			
At 31 December 2020	254	600	854
Charge for the year	68	216	284
At 31 December 2021	322	816	1,138
Net book value			
At 31 December 2020	77	515	592
At 31 December 2021	199	462	661

No impairment losses were incurred related property, plant and equipment during the years ended 31 December 2021 and 2020.

No intangible assets were pledged as security against liabilities in any period.

11. Trade and other receivables

	At 31 December 2021	At 31 December 2020
Trade receivables	997	4,399
Other receivables	421	544
Amounts owed by group undertakings	10,962	1,564
Accrued income	65	637
	12,445	7,144

Other receivables include VAT recoverable and receivables due from payment service providers.

The Company did not have material allowance for expected credit losses for the years ended 31 December 2021 and 2020 as the Company has not had write-offs in either period, and the most significant receivable is from group undertakings which Management does not deem to have a material risk of potential credit loss.

The aging of trade receivables that are past due but not impaired is shown below:

	At 31 December 2021	At 31 December 2020
Between one and two months	710	1,187
Between two and three months	145	91
More than three months	122	1,180
	977	2,458

Standard credit terms are 60 days. Debtor days at each year end were 72 days at 31 December 2021, and 56 days at 31 December 2020. This increase is due primarily to a shift of the concentration of receivables from U.S. customers that had shorter payment terms.

Debtor days is calculated by dividing the trade receivable outstanding at year end by the total sales invoices raised in the year, less credit notes, multiplied by the number of days in the year.

In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the receivable from the date that credit was granted up to the reporting date. Credit risk is mitigated by the fact that:

- management monitors the debtors ledger closely on a frequent basis; and
- a significant proportion of the Company's customers are either large, publicly listed companies or owned by such entities.

The following trade and other receivable amounts were held in foreign currencies. The remaining balance was denominated in U.K. Pounds Sterling (£).

	At 31 December 2021	At 31 December 2020
U.S. Dollar	25	3,250
Euro	967	950
	992	4,200

The Directors believe that the carrying value of trade and other receivables is considered to represent its fair value. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable shown above. The Company does not hold any collateral as security.

12. Cash and cash equivalents

A majority of the Company's cash and cash equivalents are at floating interest rates and are held with Barclays Bank, an institution with an A1 credit rating (long term, as assessed by Moody's). Cash in bank accounts was £2,937k at 31 December 2021 (£36,714k at 31 December 2020).

The following cash and cash equivalent amounts were held in foreign currencies. The remaining balance was denominated in U.K. Pound Sterling (£).

	At 31 December 2021	At 31 December 2020
U.S. Dollars	619	34,997
Euro	752	958
Australian Dollar	5	5
	1,376	35,960

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

13. Trade payables and other current liabilities

	At 31 December 2021	At 31 December 2020
Amounts falling due within one year		
Trade payables	1,319	2,176
Accruals and deferred income	2,028	3,461
Corporation tax payable	45	3
Other taxation and social security	62	733
Other payables	65	1,345
Amounts owed to group undertakings	26,722	37,299
	30,241	45,017

There were no trade and other payables amounts falling due more than one year at 31 December 2021 or 2020.

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. They are non-interest bearing and have standard credit terms of 30 days. Creditor days were 54 days at 31 December 2021, and 51 days at 31 December 2020.

Creditor days is calculated by dividing the trade payables outstanding at year end by the total purchase invoices raised in the year, multiplied by the number of days in the year.

The following trade and other payable financial instruments were held in foreign currencies. The remaining balance was denominated in U.K. Pounds Sterling (£).

	At 31 December 2021	At 31 December 2020
U.S. Dollars	559	1,158
Euro	712	364
New Zealand Dollar	6	—
Canadian Dollar	5	—
	1,282	1,522

The Directors consider that the carrying value of trade and other payables approximates their fair value.

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

14. Share capital

	Ordinary Shares No.
Allotted, issued and fully paid	
At 31 December 2020	86,375,639
Issued during the year	—
At 31 December 2021	86,375,639

	At 31 December 2021 £'000	At 31 December 2020 £'000
Ordinary shares	864	864

No shares were issued during the year ended 31 December 2021.

15. Employee share-based payments

Certain historic options granted by GAN (UK) Limited had been granted under the UK Enterprise Management Incentive regime ("EMI Options"). Due to an administrative error, some of these option grants were not properly registered with HMRC. The Company has decided to cover the social taxes and income taxes related to these awards for the option holders. The Company is accounting for the required cash payment as a cash-settled share-based payment transaction. The liability for the future cash payment related to employee and employer taxes on outstanding unexercised options was £560k at December 31, 2021 (2020 £953k).

The share-based payments charge (benefit) in the Company's Statement of Comprehensive Income reflects the apportionment of share-based payment charges incurred that relate to employees of GAN (UK) Limited. The Company recorded share-based payment expense related to stock options and restricted stock units of £979k (2020: £3,148k).

	At 31 December 2021	At 31 December 2020
Equity settled share-based payment charge	1,372	1,122
Cash settled share-based payment charge	(393)	2,026
	979	3,148

During 2021, the subsidiaries of the Company incurred share-based payment expense related to options awarded to employees of these subsidiaries in the amount of £7,771k, which resulted in recording investment in subsidiary undertakings for the same amount under the Company (2020: £4,286k).

Prior to the Share Exchange, in January through April of 2020 the Company issued options to purchase 1,370,000 ordinary shares. The options were granted with vesting in three equal tranches over three years from the date of grant and have a maximum term of 10 years from the date of grant. The Company discontinued issuing awards under its option plan following the Share Exchange in 2020.

17. Contingent liabilities

As part of the Board's ongoing regulatory compliance process, the Board continues to monitor legal and regulatory developments and their potential impact on the Company. There are no material contingent liabilities as of the date of these financial statements.

18. Post Balance Sheet Events

Subsequent to 31 December 2021, the Company had the following events of note:

Global economics have an effect on the Company's key foreign currency translation rates, such as ones related to GBP, EUR and USD, which could materially affect the Company's results due to the significant expenses which the Company incur in GBP. The Company is unable to conclude on the exact effects of currency rates on expected results and cash flow, but closely monitors the fluctuation of these rates to address any potentially significant issues, which none has been identified to date.