

Registered no 04534247

Midasplayer.com Limited
Directors' report and financial statements
for the year ended 31 December 2012

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Directors' report

Directors' report for the year ended 31 December 2012

The directors present their report and the audited financial statements of the company for the year ended 31 December 2012

Principal activities

The company's principal activities during the year were the production and distribution of online skill games

The company is a limited company, domiciled and incorporated in the UK. The registered office is also the principal place of business with the address

Registered office

10th Floor, Central Saint Giles
 1 Saint Giles High Street
 London
 WC2H 8AG

Review of business and future developments

In 2012 the company experienced a significant increase in net profit when compared with 2011 which was driven by lower administrative expenses and the sale of our Italian subsidiary (King com Italia S r l) which was deemed to have nil value at 31 December 2011. In the prior year, both the Intercompany balance and balance of the Investment in the Italian subsidiary were written down to nil, an exceptional item of €3,763,570

The result of the previous period has been restated as a result of adjustments made to compensation. Refer to Note 2 of the financial statements for further information

Results and dividends

The company's profit for the financial year is €5,346,000 (2011: loss of €209,000)

A dividend has not been declared by the company during the year ended 31 December 2012 (2011: €nil)

Key performance indicators

The company utilises KPIs to monitor its performance in key areas such as sales growth and operating profit. It also reviews KPIs throughout the business to monitor progress within the business cycles. The key indicators for 2012 were as follows:

	2012	2011
	€'000	€'000
		Restated see Note 2
Indicator		
Turnover	26,642	29,975
Operating profit	7,487	4,624
Profit/(loss) for the financial year	5,346	(209)

Business and financial risks

The company operates in the online skill gaming industries. As such the directors consider the following as significant business risks. The regulatory and legal environment in which the business operates differs across jurisdictions and is often subject to change. The company's principal activity remains the provision of online games and the directors regularly monitor changes in regulations in the jurisdictions in which the company operates and as such the directors believe that there is a low risk that any regulatory matters would significantly impact the business. The company also operates in a competitive environment and is focused

Directors' report (continued)

on evolving the range of games available to increase market share. A full disclosure of the company's financial risk management policy is provided in pages 11 and 12 of the notes to the financial statements.

Donations

Charitable donations of €28,322 (2011: €4,973) were made during the year which included donations of €2,461 to Save the Children, €4,045 to Action Aid and €21,816 to the National Breast Cancer Fund.

Qualifying third party indemnity provision

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

Going concern

The financial statements have been prepared on a going concern basis. The company's business activities, together with the factors likely to affect its future performance and position are set out above. The company has considerable financial resources and has no external borrowings. The directors have a reasonable expectation that the company has adequate resources to continue operations for at least twelve months from the date of this report. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Post balance sheet events

Post 31 December 2012 the Company entered into a non-cancellable operating lease agreement for an office in London for a lease term of 5 years with an annual rent of €1.9 million.

On 1 July 2013, the company transferred the skill business to Midasplayer (Skills) Limited, another company within the MIHC Group. This transfer was made at net book value. As a result the principal activity of the company going forward is the provision of management services to other companies within the MIHC Group on a commercial basis.

Directors

The directors who held office during the year and up to the date of signing these financial statements were:

S Knutsson
L Markgren
R Zacconi (Chairman)

Company secretary

M Whalen	Terminated 26 th February 2013
R Miller	Appointed 26 th February 2013

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Directors' report (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 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.

Disclosure of information to auditors

So far as the directors are aware there is no relevant audit information of which the company's auditors are unaware and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the Board



R Zacconi
Director

21 January 2014

Independent auditors' report to the members of Midasplayer.com Limited

We have audited the financial statements of Midasplayer.com Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Director's Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit 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.

Opinion on other matter prescribed by the Companies Act 2006

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

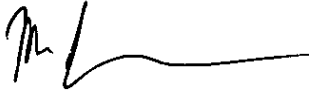
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies 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

Independent auditors' report to the members of Midasplayer.com Limited (continued)

- 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



Mark Jordan (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

21 January 2014

Profit and loss account for the year ended 31 December 2012

	Note	2012 €'000	2011 €'000
			Restated see Note 2
Turnover		26,642	29,975
Cost of sales	17	(4,904)	(8,893)
Gross profit		21,738	21,082
Administrative expenses	16	(14,251)	(16,458)
Operating profit		7,487	4,624
Exceptional item	24	(404)	(3,764)
Interest receivable and similar income	22	16	444
Profit on ordinary activities before taxation		7,099	1,304
Tax charges on profit on ordinary activities	23	(1,753)	(1,513)
Retained profit/(loss) for the financial year		5,346	(209)

All amounts relate to continuing operations

There are no material differences between the profit on ordinary activities before taxation and the profit for the years stated above and their historical cost equivalents

The notes on pages 9 to 21 form part of these financial statements

Statement of total recognised gains and losses for the year ended 31 December 2012

	Note	2012 €'000	2011 €'000
Profit/(loss) for the year		5,346	(209)
Prior year adjustments	2	(363)	-
Total gains and losses recognised since last financial statements		4,983	(209)

The notes on pages 9 to 21 form part of these financial statements

Balance sheet as at 31 December 2012

	Note	2012 €'000	2011 €'000
			Restated see Note 2
Intangible assets	4	786	613
Tangible assets	5	240	58
Investments	6	78	78
Long-term deposits	7	-	52
Deferred tax assets	11	445	2
		1,549	803
Debtors amounts falling due within one year	8	19,517	10,533
Cash at bank and in hand			
Client funds		2,455	2,610
Corporate funds		3,265	8,160
		25,237	21,303
Creditors amounts falling due within one year	10	(8,767)	(9,433)
Net current assets		16,470	11,870
Total assets less current liabilities		18,019	12,673
Provision for liabilities and charges	11	(34)	(34)
Net assets		17,985	12,639
Capital and reserves			
Called up share capital	12	20	20
Share premium account	14	7,311	7,311
Profit and loss reserve	14	10,654	5,308
Total shareholders' funds	15	17,985	12,639

The financial statements on pages 6 to 21 were authorised for issue by the Board on 21 January 2013 and were signed on its behalf by


R Zacconi
Director

Midasplayer.com Limited
Registered no 04534247
21 January 2014

Notes to the financial statements for the year ended 31 December 2012

1. Accounting policies

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of Midasplayer International Holding Company p l c ("MIHC") and is included in the consolidated financial statements of MIHC, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) 'Cash flow statements'. The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the MIHC Group.

Segment Reporting

The company has one operating segment with one business activity, the production and distribution of online and mobile games.

Group accounts

The financial statements contain information about the company as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as its subsidiary undertakings are included by the full consolidation in the financial statements of MIHC, a company registered in Malta and whose accounts are publicly available. Refer to Note 6 for a list of the subsidiary undertakings and Note 27 for instructions on how to obtain the financial statements of MIHC.

Turnover

Turnover for online games represents the entry fees collected on the provision of games, net of Value Added Tax, discounts, prizes and other promotion paid out. Entry fees are recognised at the conclusion of a game.

Research and development

All research and development costs are expensed as incurred.

Sales and administrative expenses

Sales and administrative expenses primarily include salaries, intercompany charges relating to the development of games and product fulfilment costs such as co-location fees and customer service.

Foreign currency

The company's presentational currency is Euros.

Monetary assets and liabilities in foreign currencies are translated into Euros at the rate of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into Euros at the average rate of exchange. Exchange differences arising on the settlement of trading balances are recognised within operating profit. The exchange differences on the retranslation of monetary balances are recognised within interest receivable/payable and other similar income/charges.

Notes to the financial statements for the year ended 31 December 2012 (continued)

1. Accounting policies (continued)

Intangible assets

Intangible assets primarily represent purchased domain names. These assets are not amortised, but are reviewed annually for impairment by management. Any losses on impairment are charged to the profit and loss account in the period to which the impairment relates.

Property, plant and equipment

The cost of property, plant and equipment is their historic purchase cost, together with any incidental expenses of acquisition. Property, plant and equipment are stated at historic purchase cost less accumulated depreciation. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned as follows:

- Leasehold improvements over the lifetime of the lease
- Computer hardware over 2-3 years
- Equipment, fixtures and fittings over 2-3 years

Cash

Client funds are funds held on behalf of customers, which are held separately and distinct from the funds of the company, in accordance with the terms and conditions published on the company's website.

Corporate funds include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Investments

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors if events or changes in circumstances indicate that the carrying value of the investment may not be recoverable.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Provision for liabilities and charges

Provisions are recognised when the company has a present obligation for a past event, for which it is probable that a transfer of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

In the event that the unavoidable costs of meeting the obligations under a contract exceed the economic benefits expected to be received under the same contract it is considered onerous and the company recognises the present obligation under the contract as a provision.

Notes to the financial statements for the year ended 31 December 2012 (continued)

1. Accounting policies (continued)

Share-based payments

The amount recharged by the parent undertaking for the cost of providing share options to the employees of the company is recognised in the profit and loss in the period in which it is charged, which is equal to the fair value of the expense for the period. The corresponding liability is recognised within amounts owed to the parent undertaking within creditors' amounts falling due within one year.

Financial risk management

The company's activities expose it to a variety of financial risks, market risk (currency risk), credit risk and liquidity risk. The company's overall risk management programme seeks to minimise potential adverse effects on the company's financial performance.

(a) Market risk

(i) Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk, arising from various currency exposures, primarily with respect to the Pound Sterling, US Dollar and Swedish Kroner. In addition, the company holds large cash balances in the above foreign currencies, exposing the company to gains and losses when cash balances are translated to the functional currency of Euro. Foreign cash balances are monitored and controlled by the company to limit exchange rate exposure on cash balances. Steps have been taken to align the currency that distribution payments are made in with the currency that revenues are generated in.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, as well as credit exposures to customers including outstanding receivables. The below table shows credit risk arising from the above credit exposures as follows:

	2012	2011
	€'000	€'000
		Restated see Note 2
Non-current financial assets	-	52
Debtors	19,517	10,533
Cash and cash equivalents	5,720	10,770
Total receivables	25,237	21,355

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is equivalent to their carrying amount.

The company banks only with financial institutions with high quality standing at a rating of 'A'.

Management does not consider credit risk in respect of debtors to be significant and does not expect any material losses from non-performance of trade debtors.

Notes to the financial statements for the year ended 31 December 2012 (continued)

1. Accounting policies (continued)

(c) Liquidity risk

The company is exposed to liquidity risk in relation to meeting future obligations associated with financial liabilities, which comprise amounts owed to creditors. Prudent liquidity risk management includes maintaining sufficient cash and cash committed credit lines. Liquidity risk is monitored at a Group level by ensuring that sufficient funds are available to each subsidiary within the MIHC Group.

(i) Fair values

The carrying amounts of non-current financial assets, debtors, cash equivalents and trade and other creditors are assumed to approximate their fair values.

(ii) Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Total capital is calculated as equity as shown in the balance sheet.

2. Restatement of the share-based payment charges

As part of the group review, the company adjusted some of the assumptions in valuing share-based payments made to employees. Additional awards were identified during 31 December 2012, which have had an impact on the financial statements for the year ended 31 December 2011. The impact of this restatement has been to increase the share-based payment charge in the year ended 31 December 2011 by €487,667 and decrease the share-based payment charge in the year ended 31 December 2010 by €124,380. The net effect of this restatement is an increase in the share-based payment charge of €363,287.

The 2011 share-based payment adjustment of €487,667 resulted in a restatement of a profit of €277,696 to a loss of €208,972 for the year ended 31 December 2011.

3. Turnover

	2012	2011
	€'000	€'000
Turnover by geographical region		
Europe	21,105	23,798
USA	3,723	4,214
Other	1,814	1,963
	26,642	29,975

Notes to the financial statements for the year ended 31 December 2012 (continued)

4. Intangible assets

	Software €'000	Domain names €'000	Total Fixed assets €'000
Cost			
At 1 January 2012	32	605	637
Additions	227	5	232
At 31 December 2012	259	610	869
Accumulated amortisation			
At 1 January 2012	24	-	24
Charge for the year	59	-	59
At 31 December 2012	83	-	83
Net Book Value			
At 31 December 2012	176	610	786
At 31 December 2011	8	605	613

Domain names are tested for impairment at least annually. The domain names are required for the company to trade as the revenue is entirely generated from web-based activity. The value of the capitalised domain names is constantly maintained by investment in the business through marketing and the development of new games and from the recognisable gateway through which customers are attracted to the business.

5. Tangible assets

	Leasehold Improvements €'000	Computer Hardware €'000	Equipment, Fixtures & Fittings €'000	Total Fixed assets €'000
Cost				
At 1 January 2012	54	72	34	160
Additions	115	146	14	275
Disposals	(54)	-	-	(54)
At 31 December 2012	115	218	48	381
Accumulated amortisation				
At 1 January 2012	54	30	18	102
Charge for the year	24	58	11	93
Disposals	(54)	-	-	(54)
At 31 December 2012	24	88	29	141
Net Book Value				
At 31 December 2012	91	130	19	240
At 31 December 2011	-	42	16	58

Notes to the financial statements for the year ended 31 December 2012 (continued)

6. Investments

The company has the following subsidiaries

Name	% ownership of ordinary share	Country of incorporation	Principal activity
Midasplayer GmbH	100	Germany	Sales and marketing
King com Inc	100	USA	Sales and marketing
King com Italia Srl (Sold on 31 st May 2012)	100	Italy	Online games

King com S r l was deemed to have nil value as at 31 December 2011 so the balance of the investment (totalling €308,090) was written down to nil in the prior year. The write down was considered to be both prudent and necessary due to the lack of continuing value associated with the initial investment. King com Italia was subsequently sold for €1 with an effective date of 31st May 2012. The directors believe that the carrying values of the remaining investments of €78,000 are supported by their underlying net assets.

7. Long-term deposits

	2012 €'000	2011 €'000
Total long-term deposits	-	52

These deposits are unsecured and earn nil interest.

8. Debtors: amounts falling due within one year

	2012 €'000	2011 €'000
		Restated see Note 2
Trade debtors	1,374	1,120
Amounts owed by group undertakings (Note 9)	17,567	8,946
Prepayments and accrued income	576	467
	19,517	10,533

9. Related party transactions

All companies forming part of the MIHC Group are considered by the directors to be related parties as these companies are ultimately owned by Midasplayer International Holding Company plc. The amounts outstanding are unsecured, interest free and will be settled in cash. No guarantees have been given or received. No provision has been made for doubtful debts in respect of amounts owed by related parties. The amounts receivable from subsidiaries relate to the restructuring of the MIHC Group.

Notes to the financial statements for the year ended 31 December 2012 (continued)

10. Creditors amounts falling due within one year

	2012	2011
	€'000	€'000
Trade creditors	1,480	960
Client funds	2,455	2,610
Amounts owed to group undertakings (Note 9)	102	355
Taxation and social security	2,089	1,630
Accruals, other creditors and deferred income	2,641	3,878
	8,767	9,433

Client funds represent cash held on behalf of customers. The corresponding amount is separately disclosed within cash at bank and in hand.

11. Deferred tax

	2012	2011
	€'000	€'000
Deferred tax assets		
1 January	2	2
Credited to the profit and loss account	443	-
Total deferred tax assets at 31 December	445	2
Deferred tax liabilities		
1 January	(34)	(34)
(Charged)/ Credited to the profit and loss account	-	-
Total deferred tax liability at 31 December	(34)	(34)

12. Share capital

Authorised	2012	2011
	€'000	€'000
894,537 (2011: 894,537) 'A' ordinary shares of 10p each	127	127
19,777 (2011: 19,777) 'B' ordinary shares of 10p each	4	4
9,471 (2011: 9,471) 'C' ordinary shares of 10p each	1	1
67,729 (2011: 67,729) 'A' preferred shares of 10p each	10	10
8,486 (2011: 8,486) 'B' preferred shares of 10p each	1	1
	143	143
Allotted and fully paid	2012	2011
	€'000	€'000
41,059 (2011: 41,059) 'A' ordinary shares of 10p each	5	5
19,777 (2011: 19,777) 'B' ordinary shares of 10p each	3	3
9,471 (2011: 9,471) 'C' ordinary shares of 10p each	1	1
67,729 (2011: 67,729) 'A' preferred shares of 10p each	10	10
4,399 (2011: 4,399) 'B' preferred shares of 10p each	1	1
	20	20

Notes to the financial statements for the year ended 31 December 2012 (continued)

13. Share-based payments

Share options are granted to selected employees for ordinary "D" shares in the company's parent undertaking, Midasplayer International Holding Company plc (MIHC) in return for services to the company. Midasplayer International Holding Company plc recharges the cost of these share options to Midasplayer.com Limited, based on the fair value of the options provided.

During the year the company incurred €1,403,008 (2011: €487,667) in respect of share-based payments. These schemes relate to employee service, and the awards given were in true form of equity investments of the ultimate parent undertaking, Midasplayer International Holdings Company plc.

The following table summarises the methods used to measure fair value for each type of share-based award and the related vesting period over which the expense is recognised.

Type of Award	Vesting Period	Fair Value Measure	Classification
D1 Share Options	Predominantly over 4 year period, with a one year cliff, followed by quarterly vesting	Monte Carlo method	Equity-settled
Restricted D1 Shares	Predominantly over 4 year period with a one year cliff, followed by quarterly vesting	Monte Carlo method	Equity-settled
Restricted D2 Shares	Predominantly over a 4 year period followed by quarterly vesting	Monte Carlo method	Equity-settled

D1 Share Options

The Group measures all share options at the fair value of the award on grant date using the Monte Carlo valuation method. The weighted-average fair value of all options granted for the years ended December 31, 2012 and 2011 was determined using the following principal assumptions:

	Year Ended 31 December	
	2012	2011
Weighted-average fair value (€)	1.41	0.06
Weighted average of key assumptions		
Share Price (€)	1.48	0.19
Exercise Price (€)	0.000149	0.000149
Hurdle Price (€)	0.50023	0.50023
Expected term, in years	2.79	3.78
Risk-free interest rates	0.61%	0.63%
Expected volatility	55%	55%
Dividend yield	0%	0%

Notes to the financial statements for the year ended 31 December 2012 (continued)

Restricted Shares

The Restricted Shares are issued upon grant and contain claw-back provisions which lapse in accordance with the required service period. Service periods are generally 4 years with one-year cliff and quarterly vesting thereafter. The Company recognises the corresponding compensation of those awards, net of estimated forfeitures and has recognised a share-based payment expense for these awards.

Restricted Shares only convert if the enterprise value of the company exceeds a pre-determined hurdle upon a qualifying exit event. If the hurdle is exceeded the value of the Restricted Shares is determined based on the share price at the date of grant. The Company determines the grant date fair value of the Restricted Shares on the grant date using the Monte Carlo valuation model. The weighted-average fair value of all Restricted Shares granted for the years ended 31 December 2012 and 2011 was determined using the following assumptions:

	Year Ended 31 December	
	2012	2011
Weighted average fair value (€)	1.36	0.26
Weighted average of key assumptions		
Share Price (€)	1.66	0.26
Hurdle Price (€)		
D1 shares (€)	0.50023	0.50023
D2 shares (€)	0.36007	0.36007
Expected term, in years	3.15	2.38
Risk-free interest rates	0.26%	0.19%
Expected volatility	55%	55%
Dividend yield	0%	0%

14 Reserves

	Share premium account €'000	Profit and loss reserve €'000
		Restated see Note 2
Balance at 31 December 2011 (as previously reported)	7,311	5,671
Prior year adjustments	-	(363)
Balance at 31 December 2011 (restated)	7,311	5,308
Profit for the financial year	-	5,346
31 December 2012	7,311	10,654

15. Reconciliation of movements in shareholders' funds

	2012 €'000	2011 €'000
Opening shareholders' funds (as previously reported)	13,002	12,724
Prior year adjustments (See note 2)	(363)	124
Opening shareholders' funds (restated)	12,639	12,848
Profit for the financial year	5,346	(209)
Closing shareholders' funds	17,985	12,639

Notes to the financial statements for the year ended 31 December 2012 (continued)

16. Expenses by nature

	2012	2011
	€'000	€'000
		Restated see Note 2
Employee benefit expense (Note 18)	8,032	3,540
Sales and marketing	2,718	9,175
Amortisation of intangibles	59	12
Depreciation of property, plant and equipment	93	68
Unrealised Foreign exchange (Gain)/Loss	84	-
General administration and other expenses	3,265	3,663
Total expenses by nature	14,251	16,458

17. Cost of sales

Cost of sales primarily includes the revenue share paid to partners in relation to online distribution contracts and payments for third party licensed intellectual property

18. Employee benefit expenses

	2012	2011
	€'000	€'000
		Restated see Note 2
Wages and salaries	5,391	2,599
Share-based payments	1,403	488
Other staff & related	660	163
Social security costs	578	290
	8,032	3,540

19. Auditors' remuneration

	2012	2011
	€'000	€'000
Fees payable for the audit	59	47
Fees payable for other services – tax advice and compliance	28	7
Total auditors' remuneration	87	54

20. Directors' emoluments

Key management includes executive directors. The compensation payable to key management for employee services is shown below

	2012	2011
	€'000	€'000
Aggregate emoluments	477	430

Notes to the financial statements for the year ended 31 December 2012 (continued)

Highest paid director

	2012 €'000	2011 €'000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	420	372

The two (2011 two) other directors are paid by another group company. Further details can be found in the group accounts. Refer to Note 26 for details on how these can be obtained.

21. Employee information

The average monthly number of persons (including executive directors) employed during the year was

By activity

	2012	2011
Sales, general and administration	35	17

22. Interest receivable and similar income

	2012 €'000	2011 €'000
Foreign exchange gain	-	433
Interest receivable on bank and other deposits	16	11
Total interest receivable and similar income	16	444

23. Tax charge on profit on ordinary activities

a) Analysis of charge for the year

	2012 €'000	2011 €'000
Current tax:		
UK corporation tax on profit for the period	2,182	1,472
Adjustments in respect of previous periods	14	41
Total current tax charge	2,196	1,513
Deferred tax:		
Origination and reversal of timing differences	(443)	-
Total deferred tax (note 11)	(443)	-
Total tax charge on profit on ordinary activities	1,753	1,513

Notes to the financial statements for the year ended 31 December 2012 (continued)

23. Tax charge on profit on ordinary activities (continued)

b) Factors affecting the tax charge for the year:

The tax assessed for the period is higher (2011: higher) than the standard rate of corporation tax in the UK of 24.5%, (2011: 26.5%)

The differences are explained below

	2012	2011
	€'000	€'000
		Restated see Note 2
Profit on ordinary activities before tax	7,099	1,304
Profit on ordinary activities multiplied by standard rate of corporation tax in UK of 24.5% (2011: 26.5%)	1,739	346
Effects of		
Expenses not deductible for tax purposes	63	997
Depreciation in excess of capital allowances	36	-
Share-based payments	344	129
Adjustment for previous years	14	41
Total current tax charge	2,196	1,513

Factors affecting current and future tax charges

Under the Provisional Collection of Taxes Act 1968, the main UK corporation tax rate reduction from 26% to 24%, effective from 1 April 2012, was substantively enacted on 26 March 2012. Legislation to reduce the main rate of corporation tax from 24% to 23%, from 1 April 2013, was included in the Finance Act 2012. The deferred tax balances have been re-measured to reflect this reduction.

Further reductions to the main rate were announced in the 2012 Autumn Statement and the March 2013 Budget Statement to reduce the rate to 21% from April 2014 and to 20% from 1 April 2015. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

24. Exceptional item

Italian subsidiary (King.com Italia S.r.l.) was deemed to have nil value at 31 December 2012. In the prior year, both the intercompany balance (totalling €3,455,480) and the other balance of the investment in the Italian subsidiary (totalling €308,090) were written down to nil, for a total exceptional item of €3,763,570. The write down was considered to be both prudent and necessary due to the lack of continuing value associated with the initial investment.

During 2012, King.com Italia was subsequently sold with an effective date of 31 May for €1. Balances which had accrued during the period from 1 January 2012 to 31 May 2012, totalling €404,111, were written off at that date and have been disclosed as an exceptional item in these financial statements.

Notes to the financial statements for the year ended 31 December 2012 (continued)

25. Lease commitments

At 31 December 2012 the company has lease arrangements in respect of property, for which the payments extend over a number of years

	2012	2011
	€'000	€'000
Annual commitments under non-cancellable operating leases expiring		
- Within one year	232	-
- Within two to five years	59	233

26. Ultimate parent undertaking

The company's immediate parent company is Midasplayer Malta Holding Company Limited, address Aragon House, Level 4, Dragonara Road, St Julians, ST3140, Malta, a company incorporated in Malta. The ultimate holding company and controlling party is Midasplayer International Holding Company p l c, a company also incorporated in Malta, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. The consolidated accounts are publicly available at The Registry of Companies, Malta Financial Services Authority, Notabile Road, Attard BKR 14, Malta.

27. Post balance sheet events

Post December 31, 2012 the Company entered into a non-cancellable operating lease agreement for an office in London for a lease term of 5 years with an annual rent of €1.9 million.

On 1 July 2013, the company transferred the skill business to Midasplayer (Skills) Limited, another company within the MIHC Group. This transfer was made at net book value. As a result the principal activity of the company going forward is the provision of management services to other companies within the MIHC Group on a commercial basis.