



GROWTH AREAS



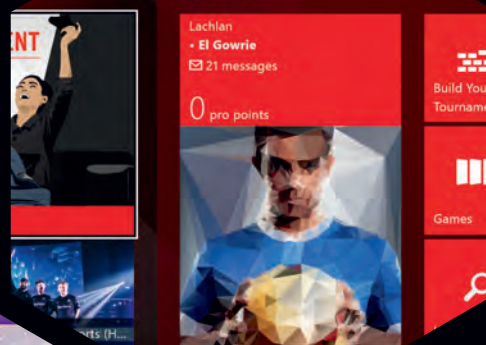
GFINITY EVENTS

World class events to bring the best gamers and their audiences together



PARTNER EVENTS

Partner of choice for publishers and sponsor events



DIGITAL CAPABILITY

A comprehensive suite of digital assets supporting offering



THE ARENA

Flexible and well equipped studio and events space



GFINITY

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Overview

Directors, Secretary and Advisers

The Board of Directors

Tony Collyer

(Non-Executive Chairman)

Neville Upton

(Chief Executive Officer)

Jonathan Hall

(Finance Director)

Paul Kent

(Technology and eSports Director)

Philip Shuldham-Legh

(Marketing Director)

David Yarnton

(Non-Executive Director)

Jonathan Varney

(Non-Executive Director)

Company Secretary

Jonathan Hall

Registered Office

35 New Bridge Street
London EC4V 6BW

Nominated Adviser and Broker

Allenby Capital Ltd

3 St Helen's Place,
London EC3A 6AB

Independent Auditors

Rees Pollock

Chartered Accountants

35 New Bridge Street
London EC4V 6BW

Legal Advisers – Corporate

Fladgates

16 Great Queen Street
London WC2B 5DG

Legal Advisers – Commercial

Onside Law

23 Elysium Gate
126-128 New Kings Road
London SW6 4LZ

Registrars

Capita Registrars Ltd

The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Financial Public Relations

Walbrook PR Ltd

4 Lombard Street
London EC3V 9HD

Registered Number

08232509

GFINITY

Period Highlights

Operational highlights

- Launched a number of digital assets to underpin Gfinity's position as a leading provider of complete end-to-end eSports solutions, including:
 - The bespoke Tournament Builder App, exclusively for Xbox One users, allowing eSports enthusiasts to create and manage their own eSports competitions;
 - Gfinity TV; the Company's own online TV Player, giving the viewer greater control over their viewing experience than ever before;
 - Gfinity Tournament Client for PC; Providing leading anti-cheat technology and providing easy matchmaking and tournament entry for users.
- Further strengthened our reputation as a partner of choice for game publishers and platform providers:
 - Selected by Microsoft to host the "Xbox Play Like a Legend" Championship using FIFA 16 for a second successive year;
 - Selected by EA Sports to launch the Battlefield 1 video game from the Gfinity Arena;
 - Selected by Super Evil Megacorp to stage VainGlory European Winter Championships
 - Selected by Microsoft to stage UK leg of Halo World Series
- Signed an exclusive partnership agreement with Gillette to create a football based eSport competition "The Gillette Championship" in June 2016
- Signed a partnership agreement with Futhead.com, the largest FIFA Ultimate Team community in the world, to operate a series of FIFA 16 Ultimate Team competitions on Gfinity's proprietary eSports online tournament platform

Financial highlights

- Revenue increased by **158%** to **£1.45m** (2015: £0.56m)
- Operating loss decreased by **12.0%** to **£3.2m** (2015: £3.6m)
- Loss Per Share reduced **33.3%** to **4p** (2015: 6p)
- Cash and cash equivalents, as at 30 June 2016, of **£0.83m** (2015: £2.73m)
- Following year-end, **£3.7m** raised from share placing, before expenses.

Chairman's Statement

Tony Collyer
Non-Executive Chairman



I am delighted to present the Gfinity plc annual report for the year to 30 June 2016; a period of excellent operational progress and also strong revenue growth for the Company.

In the year to 30 June 2016 Gfinity continued to invest in the business in line with its stated strategy to build its reputation with game publishers, prospective sponsors and the wider eSports community. This has been achieved through the development of both physical assets, such as the eSports Arena in the UK, and digital assets to host and stream eSports competitions online.

Collectively these assets, together with the expertise of the Gfinity team, mean that the Company is uniquely positioned to provide an end to end eSports solution both to game publishers and other partners looking to access the growing audience of eSports enthusiasts. Our growth reflects widening acknowledgement of Gfinity's capability, across a broad range of games and platforms. Events during the year have been staged across PC, console and mobile devices. Clients, meanwhile, have included game publishers, platform providers, brands from within the industry and also increasingly consumer brands looking for a way to reach the core eSports audience of

young affluent males, who they find it increasingly difficult to reach via other channels.

As a sector, eSports continues to go from strength to strength. Leading industry analysts NewZoo report that the eSports audience has now risen to over 250 million globally. Major events are already filling arenas and attracting audiences that dwarf many conventional sports. Most excitingly, however, while the overall size of the market is expected to exceed \$1 billion by 2019, this still remains small on a per fan basis in comparison with conventional sport.

This gives me further confidence that the Company's strategy of establishing itself as one of the leading eSports players is the correct one. In July, shortly following the year end, the Company completed a successful placing, raising £3.7m prior to expenses to provide the funding to accelerate our growth strategy. I would like to thank both the new and existing investors for supporting the Board in this endeavour as we look to leverage our strong position within the eSports industry to create significant shareholder value.

Finally, I would like to take this opportunity once again to thank all of our staff, customers and partners for their ongoing support.



Chief Executive's Review

Neville Upton
Chief Executive Officer

Summary

The year to 30 June 2016 was one in which Gfinity continued to deliver on its strategic objective to develop its operational capability and to build its reputation with the eSports audience and key partners within the industry.

The launch of our Tournament Builder application on Xbox One, GTV Player and Tournament Client for PC, together with the ongoing investment in the Gfinity Arena and online tournament management system leave us uniquely positioned to provide an end to end eSports solution; both in the delivery of our own events and on behalf of our partners.

Partnerships during the year with company's including EA, Microsoft, Formula E and SuperEvilMegaCorp demonstrate Gfinity's growing reputation within the industry.

This combination of operational excellence and strength of reputation leave Gfinity strongly positioned to take advantage of expected revenue growth in the sector in years to come. While short term revenue hasn't been the principal focus, it is nonetheless pleasing to be able to report growth in this area of 160% year on year, which I believe is just a small indication of the potential to come.

Following the year end, I was also delighted to be able to announce the successful completion of a placing to raise a further £3.7m prior to deduction of expenses. This placing leaves the business in a strong cash position to achieve the strategic growth desired as we move into 2017 and also gave us the opportunity to bring in a major new strategic investor into the Company.

Operational Review – Offline

The first half of the year to 30 June 2016 saw the culmination of the Gfinity Championship Series, a series of 23 events, across 5 of the world's leading eSports titles, broadcast in 10 languages, which attracted 58.5 million views.

This series demonstrated Gfinity's ability to stage industry leading eSports events, attracting the top teams and players and producing high quality broadcast content. It enabled Gfinity to quickly build its brand among both eSports fans and game publishers.

During the second half of the year the Company focused on delivering events with partners; strengthening relations with a network of game publishers, platform providers and sponsors. These events have included:

- UK leg of Halo Championship Series in conjunction with Microsoft (January 2016)
- Xbox 'Play Like a Legend' FIFA Ultimate Team series – (January to May 2016)
- Vainglory European Winter Championships in partnership with SuperEvil Megacorp (March 2016)
- Launch of Battlefield 1 game from Gfinity arena on behalf of EA Sports (April 2016)
- Creation of "The Gillette Championship" a football based competition, using Pro-Evolution Soccer game.

Following the year end, the position of Gfinity as a partner of choice for publishers and sponsors has been further embedded with the announcement of a number of further events including:

- Appointment by Microsoft as one of two global partners for Gears of War Pro-Series, including events in London, Paris and Mexico City;
- Delivery of Call of Duty European Challenger event on behalf of game publisher Activision
- Staging of HP sponsored Counter Strike event at EGX, the UK's largest gaming festival

Operational Review – Online

In April 2016, the Company launched its bespoke online Tournament Builder Applications ("App") exclusively for Xbox One users, which allows gamers to create their own competitions and gives players a new level of access to the Gfinity platform for an all-round improved gaming experience.

The launch of the App is in line with the Company's stated strategy to invest in online assets to build the reputation of the Company with video game publishers, prospective eSports sponsors and the wider gaming community.

It is expected these online assets will provide the Company a unique value proposition within the eSports industry from which it can effectively monetise its relationships with video game publishers, sponsors and gamers.

In June 2016, the Company signed a partnership agreement with Futhead.com, the largest FIFA Ultimate Team community in the world, to operate a series of six online FIFA 16 Ultimate Team competitions on this market leading eSports tournament platform.

Chief Executive's Review (*continued*)

Outlook

The eSports sector continues to be one of the most exciting sectors in which to operate. With a large, growing and engaged audience of young millennials that broadcasters and sponsors find difficult to reach via other channels, commercial opportunities for leading players in this sector appear strong.

The investments that Gfinity has made to date in building its capability and reputation, together with the financial investment received following the year end, leave it in a strong place to take advantage of these opportunities.



Finance Director's Report

Jonathan Hall
Finance Director

Summary

The 12-month financial period to 30 June 2016 represented one of significant revenue growth as the Company's early leadership position within the eSports market started to become recognised. The financial year also represented a period of continued investment in strategic physical and digital assets to ensure the Company remains at the forefront of innovation across the eSports industry and remains well placed to monetise its leading market position in the UK and overseas in the coming period.

Whilst the Company remained loss-making during the period, the eSports arena has gained significant traction with video games publishers and event sponsors alike and the digital assets, such as the bespoke tournament builder application, have been successfully launched and well received by end users.

The post period equity financing significantly strengthened the balance sheet and has provided the Company with sufficient financial resources to execute its strategy to generate significant shareholder value by becoming a leading global eSports Company.

Income Statement Review

Revenue for the financial year increased significantly from £0.56m to £1.45m as activity at the Company's eSports arena increased and the Company signed transformational contracts with tournament video game publishers and eSports sponsors such as Microsoft, Gillette and FutHead.com.

Cost of sales decreased from £2.00m to £1.61m, primarily due to a change in the mix of events delivered during the first half of 2016.

Administrative expenses, although showing an overall increase of £0.85m during the period, from £2.14m to £2.99m, remained relatively constant with the closing run rate from the prior year. This included the continued investment in personnel across business development activities and further investment in the physical and digital infrastructure of the Company, most notably the Company's bespoke tournament builder application.

As a direct result of the significant revenue growth and strong cost management, the Company's operating loss was reduced from £3.58m to £3.15m.

Finance income increased as a result of the strengthened balance sheet over the previous period, but still remained largely a non-material item, which resulted in a Loss Before Tax of £3.14m (2015 £3.58m).

The Company received a Tax Credit for its Research and Development activities during the period of approximately £0.10m, which led to the final retained loss for the period reducing from £3.58m to £3.04m.

Loss Per Share decreased from 0.06 pence per ordinary share to 0.04 pence per ordinary share due to both the reduced loss during the period and the weighted average number of ordinary shares increasing from 59,895,476 to 81,504,270.

Cashflow and Financial Position Review

From a cashflow perspective, cash consumed by operating activities reduced from £3.43m to £2.50m due to the reduced Loss Before Tax and strong working capital control.

Investment in property, plant and equipment increased from £0.24m to £0.38m during the period, which post depreciation, resulted in the balance sheet reporting an increase in the value of the Company's fixed assets to £0.42m from £0.22m. This increase reflected further investment both in the Gfinity Arena itself and in the production technology within it, together with Gfinity's investment in the GTV Player.

Cash and short term deposits, as at 30 June 2016, was reduced from £2.13m to £0.83m. However, the successful post balance sheet conditional placing announced on 4 July 2016 raised £3.70m, which was supported by existing investors such as Euroblue Investments, headed by the well-known Nigel Wray, and Hargreave Hale in addition to new investors such as Hong Kong based Charles Street International Holdings.

Outlook

In line with Gfinity's stated strategy, the Company used the period to make significant progress to invest for future growth. The Company remains focused on building the Gfinity brand and strengthening its reputation as one of the leading providers of eSports tournaments in the world.

A recent report by Newzoo¹ forecasts that the eSports market will grow at a compound annual growth rate of 42% to over US\$1.1bn by 2019. The Company therefore continues to believe it has significant potential to grow rapidly over this time frame and believes that its strategy of continued investment in the capability and reputation of the business are the correct route to deliver long-term value to the shareholders.

¹Newzoo, Global Esports Market Report, <https://newzoo.com/solutions/revenues-projections/global-esports-market-report/>

Governance

Directors' Biographies

Tony Collyer

Non-Executive Chairman

Tony is a Chartered Accountant with broad commercial experience and has been finance director of three public companies, Alders plc and New Look Group plc, both of which listed on the main market during his tenure, and The Corporate Services Group plc. He is also chairman of Adeevo Limited, an internet recruitment aggregator and a director of the North Devon Biosphere Foundation. Tony has sat on the Finance Committee of King's College London for the last six years. Additionally he has acted as transaction director for a number of significant corporate transactions including the sale of The Listening Company Limited to Serco plc and the sale of OB10 Limited to Tungsten Corporation Plc. Tony joined the Board in January 2014. He also chairs the Audit and Remuneration Committees.

Neville Upton

Chief Executive Officer

After graduating at the London school of Economics, Neville joined Coopers & Lybrand where he qualified as a Chartered Accountant. Neville's formative years were at Euromoney where he gained experience in Finance, M&A and various commercial projects. After a brief spell at The Decisions Group as finance and operations director, in 1998 he established a call centre business, The Listening Company, which specialized in multichannel communication applications and high quality customer service solutions. The business was sold in 2011 to Serco for a sum in excess of £60 million at which time it had a turnover of £82 million and employed 4,000 people. Neville co-founded the Company in 2012.

Jonathan Hall

Finance Director

Jon qualified as a Chartered Accountant with Arthur Andersen followed by a period of 6 years specialising in organisation and business process design with PA Consulting, a leading London based management consultancy firm. He subsequently spent 5 years as a finance director of Saracens Ltd and the wider Premier Team Holdings Group, before joining Gfinity in August 2014. As Finance Director Jon has responsibility for all aspects of finance and accounting, including financial planning, reporting and accessing capital in order to fund growth. Jon is also responsible for all aspects of Operations within the Company, including oversight of event delivery, product development and support functions.

Paul Kent

Technology & eSports Director

Paul has been involved in eSports since 1996, as both a top level gamer and team owner. He established the Warped Gaming League in 2009, which grew within 3 years to be the Europe's largest Xbox Live on-line league with over 13 million page visits. Prior to joining Gfinity, Paul spent 10 years as a software engineer with Creative Labs, focused primarily on chip design and ARM architecture. In addition Paul spent his later years working extensively on the video codec library. He has responsibility for web and production technology and also for setting the rules and tournament structures for all Gfinity competitions.

Philip Shuldham-Legh

Marketing Director

Philip has held a number of Sales & Marketing positions for large BPO businesses and Direct Marketing agencies including SITEL (1993-1998) and WWAV Rapp Collins (1998-2004) until joining Neville Upton at The Listening Company as Managing Director of Consulting in 2004. Over the next few years, he took over responsibility for new business, marketing and product development and was Group Sales and Marketing Director when Serco acquired the business in March 2011. He was retained by Serco and moved to Business Development Director until he joined Gfinity as Marketing Director in January 2013. Phillip divides his time between this role and being Strategy Director at Voice Marketing Ltd, which has recently been acquired by Capita plc (April 2015). In all his roles, Philip has had responsibility for brand, marketing comms and revenue growth.

David Yarnton

Non-Executive Director

David has over 30 years' experience in the Games industry; first in Australia followed by 9 years as Managing Director of Nintendo UK & Ireland. He has spent many years developing business in Asia and the Pacific Rim and has strong experience working with Chinese business partners. Currently he is a Director of Equinox Talent and Eyes on Athletes both companies involved with sport in the digital space and is Co-Chairman of the eSports Sub Group of the UK Interactive Entertainment Association an organisation on which he was a Board Member and Vice Chairman for 7 years. In addition to that he has been a Board Member of GfK Charttrack, the Edinburgh Interactive Festival of which he was also Chairman for 2 years. He is Founder and Chairman of the British Inspiration Awards which celebrates diverse British Creative Achievements today whilst inspiring them for tomorrow. He has lectured and spoken on a number of occasions at the London Business School and various Conferences on Digital Technology and its impact on Sport's Media and Fan Engagement..

Jonathan Varney

Non-Executive Director

Jonathan ("Jon") Varney is a Founder Partner of Pitch International Commercial LLP ("Pitch") and has been involved with the Company since Pitch were appointed to sell commercial rights on the Company's behalf in December 2014. As part of Pitch, Jon is responsible for building commercial partnerships between brands and rights holders. Pitch's portfolio of commercial rights includes Domestic & International Football, International Cricket, Motor Sports, International Rugby Union and Broadcast Sponsorship of all Pitch programming and Branded Content. Prior to Pitch, Jon Varney was a commercial director of Premiership Rugby, the umbrella organisation responsible for the development of elite professional club rugby in England. Previous roles prior to 2003 all revolved around the sports media sector including roles at Octagon UK, Movie and Media Sports, Coca-Cola Football and the RFU.

Governance

Directors' Report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 30 June 2016.

Principal activities

Gfinity is the leading UK-based eSports company serving the rapidly-growing community of competitive gamers worldwide. We were founded in September 2012 and have quickly built a reputation as one of the world's leading providers and broadcasters of eSports competitions; both off-line events typically staged from the UK's first eSports arena in Fulham, London and online events hosted on Gfinity.net.

Activities are monetised through a blend of sponsorship, advertising, event delivery fees, broadcast income and ticket sales.

Future developments

Our development objectives for 2016–17 are disclosed in the Strategic Report.

Capital structure

The capital structure is intended to ensure and maintain strong credit ratings and healthy capital ratios in order to support the Company's business and maximise shareholder value. It includes the monitoring of cash balances, available bank facilities and cash flows. No changes were made to these objectives, policies or processes during the year ended 30 June 2016.

Results and dividends

The statement of comprehensive income is set out on page 20.

The Company's loss after taxation amounted to £3.04m (2015: £3.58m).

The directors do not recommend the payment of a dividend for the year ended 30 June 2016.

Events since the balance sheet date

Following the year end, the Company successfully completed an equity placing, raising a further £3.7m prior to deduction of expenses. Further detail on this fundraise and on its impact for the business is provided within the Strategic Report.

Research and development

The Company undertakes development activities which involve a planned investment in the building and enhancement of Gfinity products. Development expenditure is capitalised as an intangible asset, only if the development costs can be measured reliably and it is anticipated that the product being built will be completed and will generate future economic benefits in the form of cash flows to the Company.

Further information on development activities are provided in the Strategic Report.

Credit risk

Credit risk arises from exposure to outstanding receivables. Potential new customers are assessed for credit risk before credit is given, to minimize credit exposure. Credit limits with existing customers are regularly reviewed, particularly with any overdue accounts. Further information on the Company's credit risk is provided in note 18 to the financial statements.

Currency risk

The significant majority of the Company's revenues and costs are in sterling therefore currency risk is not considered

significant. To the extent that transactions are incurred in other currencies, Gfinity will typically exchange to/from sterling as required, although the Company does retain a US dollar account for managing certain payments. No forward exchange or other such financial instruments have been used in the period.

Further information on the financial risk management strategy of the Company and of the exposure of Gfinity to currency risk, credit risk and liquidity risk is set out in note 18 to the financial statements.

Directors

The following directors held office as indicated below for the year ended 30 June 2016 and up to the date of signing the consolidated financial statements except where otherwise shown.

Tony Collyer – Non-Executive Chairman

Neville Upton – Chief Executive Officer

Jonathan Hall – Finance Director

Ginette Jarman – Operations Director (until 31 May 2016)

Paul Kent – Technology and eSports Director

Philip Shuldham-Legh – Marketing Director

David Yarnton – Non-Executive Director

Jonathan Varney – Non-Executive Director

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors, which were made during the year and remain in force at the date of this report.

Corporate Governance Report

As an AIM listed company, Gfinity plc is not obliged to comply with the UK Corporate Governance Code published in September 2012 (the "Code"). However, the Board follows, as far as practicable, the recommendations on corporate governance of the Quoted Companies Alliance for companies with shares traded on AIM.

The Board

The Board normally meets at least 10 times per year in person. Its direct responsibilities include setting annual budgets, reviewing trading performance, approving significant capital expenditure, ensuring adequate funding, setting and monitoring strategy and reporting to shareholders. The Non-Executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered.

The Board has established an Audit Committee and a Remuneration Committee, with formally delegated duties and responsibilities as described below.

Audit Committee

The Company's Audit Committee currently comprises Tony Collyer (Chairman), David Yarnton (non-executive director) and Jonathan Varney (non-executive director). The committee meets at least twice a year.

The Audit Committee is responsible for reviewing the half-year and annual financial statements, interim management statements, preliminary results announcements and any other formal announcement or presentation relating to the Company's financial performance. The Audit Committee

also reviews significant financial returns to regulators and any financial information covered in certain other documents such as announcements of a price sensitive nature.

The Audit Committee advises the Board on the appointment of external auditors and on their remuneration (both for audit and non-audit work) and discusses the nature, scope and results of the audit with the auditors. The Audit Committee reviews the extent of the non-audit services provided by the auditors and reviews with them their independence and objectivity. The Chairman of the Audit Committee reports the outcome of Audit Committee meetings to the Board and the Board receives minutes of the meetings.

Remuneration Committee

The Company's Remuneration Committee currently comprises Tony Collyer (Chairman), David Yarnton (non-executive director) and Jonathan Varney (non-executive director). The committee is responsible for making recommendations to the Board, within agreed terms of reference, on the Company's framework of executive remuneration and its cost. The committee determines the contract terms, remuneration and other benefits for each of the Executive Directors, including performance related bonus schemes and pension rights. Further details of the Company's policies on remuneration and service contracts are given in the Directors' remuneration report on page 15.

Relations with shareholders

Communication with shareholders is given high priority. There is regular

dialogue with major and institutional shareholders including presentations after the Group's announcements of the half-year and full-year results.

The Board uses both the annual report and financial statements and the Annual General Meeting to communicate directly with private and institutional investors and welcomes their participation.

Internal control

The Board is responsible for establishing and maintaining the Company's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve the Company's strategic objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. As an AIM listed company, the Company does not need to comply with Code provision C2.1 regarding the Directors giving a summary of the process applied by the Board in reviewing the effectiveness of the system of internal control. Instead, the directors have set out below some of the key aspects of the Company's internal control procedures.

An ongoing process has been established for identifying, evaluating and managing the significant risks faced by the Company. The process has been in place for the full year under review and up to the date of approval of the annual report and financial statements. The Board regularly reviews this process as part of its review of such risks within its meetings. Where any weaknesses are identified, an action plan is prepared to address the issues and is then implemented.

Each year the Board approves the annual budget. Key risk areas are identified,

Governance

Corporate Governance Report *(continued)*

reviewed and monitored. Performance is monitored against budget, relevant action is taken throughout the year and updated forecasts are prepared as appropriate.

Capital and development expenditure is regulated by a budgetary process and authorisation levels. For expenditure beyond specified levels, detailed written proposals have to be submitted to the Board for approval. Reviews are carried out after the purchase is complete. The Board requires management to explain any major deviations from authorised capital proposals and to seek further sanction from the Board.

The Board has reviewed the need for an internal audit function and concluded that this is not currently necessary in view of the small size of the Company and the close supervision by the senior leadership team of its day-to-day operations. The Board will continue to keep this under review.

Going concern

At the end of the period the Company had cash and cash equivalents amounting to £830,403. On 4th July 2016 the Company announced its intention to raise a further £3.7 million (prior to deduction of expenses) via a placing of shares on AIM. This placing was approved by shareholders on 20th July 2016, with shares being admitted to AIM and funds received by the Company on 21st July.

The placing leaves the Company with a strong cash position from which to pursue

its growth objectives, it also saw the introduction of a new investor, Charles Street International Holdings Ltd, further strengthening the shareholder base.

The directors have prepared detailed forecasts of the Group's financial performance over the next 2 years. As a result of this review, which incorporated sensitivities and risk analysis, the directors believe that the Group has sufficient resources and working capital to meet their present obligations. Accordingly, they continue to adopt the going concern basis in preparing the Company financial statements.

Directors' Remuneration Report

As the Group is AIM listed, the directors are not required, under Section 420(1) of the Companies Act 2006, to prepare a Directors' remuneration report for each financial year of the Group and so Gfinity plc makes the following disclosures voluntarily, which are not intended to, and indeed do not, comply with the requirements of the Companies Act 2006.

The remuneration committee is responsible for recommending the remuneration and other terms of employment for the Executive Directors of Gfinity plc. In determining remuneration for the year, the committee has given consideration to the requirements of the UK Corporate Governance Code.

Remuneration policy

The remuneration of Executive Directors is determined by the committee and the remuneration of Non-Executive Directors is approved by the full board of directors. The remuneration of the Chairman is determined by the Independent Non-Executive Directors, in conjunction with the Chief Executive and Finance Director.

The remuneration packages of Executive Directors comprise the following elements:

Basic salary and benefits

Basic salaries for Executive Directors are reviewed annually having regard to individual performance, market practice and the financial position of the company. In most cases salaries paid to Executive Directors are currently towards the low end of the market rate for their respective roles. No Executive Directors currently receive benefits such as health insurance or contributions to pension schemes. The Company's staging date for auto-enrolment is 1st July 2017.

Annual bonus

No annual bonuses have been awarded to Executive Directors, as the Board felt that this would be inappropriate prior to significant monetisation of Gfinity's activities.

Share options

The Group believes that share ownership by Executive Directors and employees strengthens the link between their personal interests and those of the Group and the shareholders.

The Group has an executive share option scheme, which is designed to promote long-term improvement in the

performance of the Group, sustained increase in shareholder value and clear linkage between executive reward and the Group's performance.

All directors hold either shares or share options in the company.

Service contracts

All directors entered into new service contracts with the Company on 16 December 2014, prior to the Company's admission to AIM.

All directors' appointments are subject to three months' notice on either side, with the exception of Mr Upton, whose appointment is subject to 6 months' notice on either side.

All directors are subject to pre and post termination restrictive covenants with the Company, including those relating to non-competition and non-solicitation of customers and staff.

No compensation is payable for loss of office and all appointments may be terminated immediately if, among other things, a director is found to be in material breach of the terms of the appointment.

Directors' emoluments

Emoluments of the Directors for the year ended 30 June 2016 are shown below.

	Total Remuneration	Salary and Fees	Benefits	Total Remuneration
Anthony Collyer	£12,000	£24,000	£0	£24,000
Neville Upton	£66,667	£100,000	£0	£100,000
Jonathan Hall	£88,500	£105,000	£0	£105,000
Ginette Jarman ¹	£48,731	£41,667	£0	£41,667
Paul Kent	£51,462	£57,500	£0	£57,500
Philip Shuldham-Legh	£10,231	£15,000	£0	£15,000
David Yarnton ²	£20,734	£27,404	£0	£27,404
Jonathan Varney	£0	£0	£0	£0
Totals	£298,325	£370,571	£0	£370,571

¹ – In addition to the amounts stated above, Ginette Jarman also earned remuneration of £2,500 in the period following her resignation as a director

² – Fees in respect of David Yarnton fees invoiced via Equinox Talent Ltd

Governance

Directors' Remuneration Report *(continued)*

Directors' interests in shares

The interests of the Directors at 30 June 2016 in the shares of the Company were:

	Number of Ordinary Shares	Percentage of issued share capital
Neville Upton	14,710,579	17.64
Paul Kent	1,622,000	1.94
Tony Collyer	1,034,579	1.24
Philip Shuldham-Legh	278,000	0.33
Jonathan Hall	0	0
David Yarnton	0	0
Jonathan Varney	0	0

Share Options

Directors' interests in options over the ordinary shares in the company were as follows:

	As at 30 June 2015	Options Granted	Options Lapsed	As at 30 June 2016
Tony Collyer	323,000	0	0	323,000
Neville Upton	0	0	0	0
Jonathan Hall	995,000	53,571	0	1,048,571
Paul Kent	0	100,000	0	100,000
Philip Shuldham-Legh	523,000	20,000	0	543,000
David Yarnton	199,000	0	0	199,000
Jonathan Varney	0	200,000	0	200,000
	2,040,000	373,571	0	2,413,571

On 21st July 2016, following successful completion of a placing of ordinary shares, further options over shares were granted to directors as shown below. All such options were granted with an exercise price equal to the closing mid-market price from the previous day being 11.875 pence per ordinary share. This data does not form part of the audited information.

	Number of Options granted	Total options held following the grant
Neville Upton	7,870,670	7,870,670
Jonathan Hall	500,000	1,548,571
Phillip Shuldham-Legh	100,000	643,000
Paul Kent	100,000	200,000

Statement of Directors' 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 Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

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 the period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM. In preparing these financial statements, the Directors are required to:

- present fairly the financial position, financial performance and cashflows of the Company;
- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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.

The Directors are responsible for ensuring the annual report and the financial statements are made available on the corporate website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Auditors

Each of the persons who is a Director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself

aware of any relevant audit information and to establish that the Company's auditors are aware of that information..

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Rees Pollock have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Financial Statements





Report & Financial Statements 30 June 2016

Independent Auditors' Report to the shareholders of Gfinity plc

for the year ended 30 June 2016

We have audited the financial statements of Gfinity plc for the year ended 30 June 2016, set out on pages 21 to 37, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the statement of cash flows, and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with 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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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. 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 (APB's) Ethical Standards for Auditors.

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 Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- 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.

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
- 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.

Jonathan Munday (Senior statutory auditor)

for and on behalf of

Rees Pollock, Statutory Auditor

8 November 2016

Statement of Comprehensive Income

for the year ended 30 June 2016

	Notes	1 July 2015 to 30 June 2016 £	1 July 2014 to 30 June 2015 £
CONTINUING OPERATIONS			
Revenue		1,446,519	560,828
Cost of sales		(1,606,036)	(2,001,820)
Gross profit/(loss)		(159,517)	(1,440,992)
Administrative expenses	3	(2,992,427)	(2,142,745)
Operating loss		(3,151,944)	(3,583,737)
Finance income	5	15,193	2,568
Loss on ordinary activities before tax		(3,136,751)	(3,581,169)
Taxation	6	97,180	0
Retained loss for the year		(3,039,571)	(3,581,169)
Loss and total comprehensive income for the period		(3,039,571)	(3,581,169)
Earnings per share	13	(0.04)	(0.06)

Financial Statements

Statement of Financial Position

for the year ended 30 June 2016

	Notes	30 June 2016 £	30 June 2015 £
NON CURRENT ASSETS			
Property, plant and equipment	7	294,219	219,848
Intangible fixed assets	8	122,974	0
CURRENT ASSETS			
Trade and other receivables	9	439,270	570,350
Inventories		9,707	3,218
Cash and cash equivalents	10	830,403	2,732,561
		1,279,380	3,306,129
TOTAL ASSETS		1,696,573	3,525,977
EQUITY AND LIABILITIES			
Equity			
Ordinary shares	12	83,414	77,845
Share premium account		5,640,233	4,679,536
Other reserves	14	55,458	62,447
Retained earnings		(4,935,672)	(1,896,101)
Total equity		843,433	2,923,727
Current liabilities			
Trade and other payables	11	853,140	602,250
Total liabilities		853,140	602,250
TOTAL EQUITY AND LIABILITIES		1,696,573	3,525,977

Signed on behalf of the board on 7th November 2016:

Neville Upton
Chief ExecutiveJonathan Hall
Finance Director

The notes on pages 25 to 37 form an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 30 June 2016

	Ordinary shares £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
At 30 June 2014	32,367	1,330,263	8,014	(1,064,932)	305,712
Loss for the period	–	–	–	(3,581,169)	(3,581,169)
Total comprehensive income	–	–	–	(3,581,169)	(3,581,169)
Reduction in Capital		(2,750,000)		2,750,000	0
Proceeds of Shares Issued	45,478	6,845,086			6,890,564
Share issue costs	–	(745,813)	–	–	(745,813)
Share options expensed	–	–	54,433	–	54,433
Total transactions with owners, recognised directly in equity	45,478	3,349,273	54,433	2,750,000	6,199,184
At 30 June 2015	77,845	4,679,536	62,447	(1,896,101)	2,923,727
Loss for the period	–	–	–	(3,039,571)	(3,039,571)
Total comprehensive income	0	0	0	(3,039,571)	(3,039,571)
Proceeds of Shares Issued	5,569	960,697	–	–	966,266
Share issue costs	–	–	–	–	0
Share options expensed	–	–	(6,989)	–	(6,989)
Total transactions with owners, recognised directly in equity	5,569	960,697	(6,989)	0	959,277
At 30 June 2016	83,414	5,640,233	55,458	(4,935,672)	843,433

The notes on pages 25 to 37 form an integral part of these financial statements.

Financial Statements

Statement of Cash Flows

for the year ended 30 June 2016

	Notes	Year ended 30 June 2016 £	Year ended 30 June 2015 £
Cash flow used in operating activities			
Net cash used in operating activities	17	(2,501,250)	(3,431,210)
Cash flow from/(used in) investing activities			
Interest received	5	15,193	2,568
Additions to property, plant and equipment	7	(233,617)	(244,845)
Additions to intangible fixed assets	8	(148,750)	0
Net cash used in investing activities		(367,174)	(242,277)
Cash flow from/(used in) financing activities			
Issue of equity share capital		966,266	5,814,773
Net cash from financing activities		966,266	5,814,773
Net increase in cash and cash equivalents		(1,902,158)	2,141,286
Opening cash and cash equivalents		2,732,561	591,275
Closing cash and cash equivalents		830,403	2,732,561

The notes on pages 25 to 37 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2016

1. GENERAL INFORMATION

Gfinity plc ("the Company") is a public company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 4. The nature of the Company's operations and its principal activities are set out in the Directors Report on page 12. The registered number of the company is 08232509. The functional and presentational currency is £ sterling.

The Company was admitted to trading on AIM of London Stock Exchange on 22nd December 2014.

2. ACCOUNTING POLICIES

Basis of preparation

The Company has prepared the accounts on the basis of all applicable International Financial Reporting Standards (IFRS), including all International Accounting Standards (IAS), Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) with effective dates for accounting periods beginning on or after 1 July 2015, together with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The accounts have been prepared on the historical cost basis. The principal accounting policies, which have been consistently applied throughout the period presented, are set out below.

The preparation of financial statements in conformity with IFRS requires the use of certain estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Estimates and judgements are continually reviewed and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Going concern

At the end of the period the Company had cash and cash equivalents amounting to £830,403. On 4th July 2016 the Company announced its intention to raise a further £3.7 million (prior to deduction of expenses) via a placing of shares on AIM. This placing was approved by shareholders on 20th July 2016, with shares being admitted to AIM and funds received by the Company on 21st July 2016.

The placing leaves the Company with a strong cash position from which to pursue its growth objectives, it also saw the introduction of a new investor, Charles Street International Holdings Ltd, further strengthening the shareholder base intent on supporting Gfinity achieve its long term objective of being one of the world's leading eSports organisations.

Accordingly, these accounts have been prepared on a going concern basis.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the normal course of the Company's activities. Revenue is shown net of value added tax.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, the stage of completion of the transaction at the balance sheet date can be measured reliably and the costs incurred and the costs required to complete the services in respect of the revenue can be measured reliably. If the amounts have been invoiced in advanced for services, these amounts are deferred until the service is delivered to the client at which point the income is recognised. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The notes on pages 25 to 37 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2016

2. ACCOUNTING POLICIES (*continued*)

Revenue comprises of:

- Sponsorship revenues: Revenue is recognised on the date the relevant sponsored event takes place. In the event of long term sponsorship contracts, the revenue is released on a straight line basis across the term of the contract, except in instances where a significant proportion of the revenue relates to specific activation activities, in which case the revenue is released in line with when that work is performed.
- Advertising revenues: Fees are earned each time a user clicks on one of the ads that are displayed on the website. Revenue is recognised on a pay-per-click basis.
- Ticket sales: Revenue is recognised on the date the relevant event is delivered.
- Event hosting: Revenue is recognised on the date the relevant event is delivered.
- Website subscriptions: Revenue is invoiced in advance and deferred on a straight line basis over the subscription period.

Segmental information

The company considers all operations to be part of a single operating segment and accordingly has elected not to disclose segmental information.

Foreign currencies

Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the year.

Taxation

The taxation expense represents the sum of the tax currently payable and deferred tax.

The charge for current tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computations of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or any discount on acquisition) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that the directors do not have a high degree of certainty that sufficient taxable profits will be available in the medium term to allow all or part of the asset to be recovered.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and that the cost of the item can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

The notes on pages 25 to 37 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2016

2. ACCOUNTING POLICIES (*continued*)

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of tangible fixed assets to their residual values over their useful economic lives, as follows:

Office equipment	– 1 year straight line
Computer equipment	– 3 years straight line
Production equipment	– 3 years straight line
Leasehold improvements	– Over the period of the lease

The residual values and useful economic lives of the assets are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable value. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and are recognised within other gains or losses in the income statement.

Intangible fixed assets

Intangible assets are recognised where the purchase or internal development of such assets are expected to directly contribute towards the company's ability to generate revenues over a multiple years.

Intangible fixed assets are stated at historical cost less accumulated amortisation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition or development of the items. Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and that the cost of the item can be measured reliably.

Amortisation is charged on a straight line basis over the estimated useful economic life of the asset as follows:

Software development	– 3 years straight line
----------------------	-------------------------

Financial liabilities

Financial liabilities are obligations to pay cash or other financial instruments and are recognised when the company becomes a party to the contractual provisions of the instrument. Financial liabilities are classified according to the substance of the contractual arrangements entered into. All interest-related charges are recognised as an expense in the income statement.

Trade and other payables are not interest bearing and are recorded initially at fair value net of transactions costs and thereafter at amortised cost using the effective interest rate method.

Financial assets

Financial assets are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instrument and are recognised in the balance sheet at the lower of cost and net realisable value.

Provision is made for diminution in value where appropriate.

Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the statement of comprehensive income in the financial period to which it relates.

Trade receivables do not carry any interest and are initially recognised at fair value, subsequently reduced by appropriate allowances for estimated irrecoverable amounts.

Research and development costs

Development expenditure is capitalised as an intangible asset, only if the development costs can be measured reliably and it is anticipated that the product being built will be completed and will generate future economic benefits in the form of cash flows to the Company.

Cash and cash equivalents

Cash and cash equivalents 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. These are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

The notes on pages 25 to 37 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)**for the year ended 30 June 2016****2. ACCOUNTING POLICIES (*continued*)****Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of value-added tax, from the proceeds.

Critical accounting judgments and estimates*Revenue Recognition:*

Revenue is recognised when the work to which it relates is delivered. On long term sponsorship contracts, revenue is typically recognised evenly over the contract period, except where the contract includes specific activation activities, in which case that proportion of revenue is recognised in line with the delivery of those activities.

Deferred tax:

The Company has not recognised a deferred tax asset in respect of their losses given that there is no track record of taxable profits at this time. Deferred tax assets will be recognised when the Company has established a track record of expected future taxable profit. Detail of the unrecognised asset as at the period end are provided in note 6(c).

Share based payments:

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. This fair value is measured by use of a Black-Scholes model.

The key assumptions used as inputs into this model are outlined in note 14 on Share Based Payments.

3. OPERATING EXPENSES

Operating loss is stated after charging:

	Year ended 30 June 2016 £	Year ended 30 June 2015 £
Depreciation of property, plant and equipment	150,191	39,727
Amortisation of intangible fixed assets	25,776	0
Rentals under operating leases	464,621	231,849
Staff costs (see note 4)	1,211,754	769,227
Costs of inventories expensed	6,671	298
Auditors' remuneration for auditing the accounts of the company	16,000	15,000
Auditors' remuneration for other non-audit services:		
- Other services supplied pursuant to such legislation	2,500	2,500
- Other services related to taxation	–	750
- All other services	6,000	12,750
Net foreign exchange (gains)/ losses	1,620	10,037

In addition to amounts stated above the Auditors also received remuneration of £10,000 in respect of services provided in connection with the Company's placement of shares in November 2015. In accordance with IAS 32 (paragraph 37), this amount has been written off against the share premium account and hence does not form part of the operating expenses figure within these financial statements.

The notes on pages 25 to 37 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2016

4. PARTICULARS OF EMPLOYEES**Number of employees**

The average number of people (including directors) employed by the company during the financial period was:

Year ended 30 June 2016	Year ended 30 June 2015
£	£
26	18

The aggregate payroll costs of staff (including directors) were:

	Year ended 30 June 2016	Year ended 30 June 2015
	£	£
Wages and salaries	1,108,594	646,043
Social security costs	110,149	68,751
Equity settled transactions	(6,989)	54,433
	<u>1,211,754</u>	<u>769,227</u>

Total remuneration for Directors during the year was £370,571 (2015: £298,325). Full detail on Directors earnings can be found within the Directors' Remuneration Report, on pages 15 to 16.

The Company do not believe that there are any key management personnel other than directors requiring disclosure.

5. FINANCE INCOME

	Year ended 30 June 2016	Year ended 30 June 2015
	£	£
Interest income on bank deposits	<u>15,193</u>	<u>2,568</u>

The notes on pages 25 to 37 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2016

6. TAXATION

(a) Major components of taxation expense for the period ended 30 June 2015 are:

	Year ended 30 June 2016 £	Year ended 30 June 2015 £
Income statement		
<i>Current tax</i>		
Corporation tax	97,180	–
Total current tax	97,180	–
<i>Deferred tax</i>		
Relating to origination and reversal of temporary differences	–	–
Taxation (charge)/ credit reported in the income statement	97,180	–

(b) Factors affecting tax charge for the period

A reconciliation of taxation expense applicable to accounting profit before taxation at the statutory tax rate of 20% (2015: 20%), to taxation expense at the Company's effective tax rate for the period is as follows:

	Year ended 30 June 2016 £	Year ended 30 June 2015 £
Loss on ordinary activities before taxation	(3,136,751)	(3,581,169)
At UK corporation tax rate of 20% (2015: 20%)	(627,350)	(716,234)
Expenses not deductible for tax purposes	6,135	15,728
Capital allowances for period in excess of depreciation	(22,943)	(41,024)
Adjustment in respect of previous periods	(97,180)	0
Unrelieved tax losses carried forward	644,158	741,529
Current tax charge/ (credit) for the period	(97,180)	–

(c) Unrecognised deferred tax asset

The Company has an unrecognised deferred tax asset arising from trading losses carried forward of £1,597,529 (2015: £953,371) calculated at the substantively enacted Corporation tax rate at the balance sheet date of 20% (2015: 20%). These trading losses will reverse against future taxable trading profits and no asset has been recognised due to uncertainties over the timing and nature of such gains in accordance with IAS 12.

The notes on pages 25 to 37 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2016

7. PROPERTY PLANT AND EQUIPMENT

	Office equipment £	Computer & production equipment £	Leasehold Improvement £	Total £
Cost				
At 1 July 2014	3,603	14,662	–	18,265
Additions	876	133,479	110,490	244,845
At 30 June 2015	4,479	148,141	110,490	263,110
Depreciation				
At 1 July 2014	1,046	2,489	–	3,535
Charge for the period	3,272	21,534	14,921	39,727
At 30 June 2015	4,318	24,023	14,921	43,262
Net book value				
At 30 June 2015	161	124,118	95,569	219,848
At 30 June 2014	2,557	12,173	–	14,730
	Office equipment £	Computer & production equipment £	Leasehold Improvement £	Total £
Cost				
At 1 July 2015	4,479	148,141	110,490	263,110
Additions	0	318,691	63,676	382,367
Disposals	0	(13,567)	0	(13,567)
At 30 June 2016	4,479	453,265	174,166	631,910
Depreciation				
At 1 July 2015	4,318	24,023	14,921	43,262
Charge for the period	161	106,883	68,923	175,967
At 30 June 2016	4,479	126,394	83,844	214,717
Net book value				
At 30 June 2016	0	326,871	90,322	417,193
At 30 June 2015	161	124,118	95,569	219,848

The notes on pages 25 to 37 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2016

8. INTANGIBLE FIXED ASSETS

	Software Development £	Total £
Cost		
At 1 July 2015	0	0
Additions	148,750	148,750
At 30 June 2016	148,750	148,750
Amortisation		
At 1 July 2015	0	0
Charge for the period	25,776	25,776
At 30 June 2016	25,776	25,776
Net book value		
At 30 June 2016	122,974	122,974
At 30 June 2015	–	–

Software development costs refer to direct costs incurred in development of the Gfinity TV Player media player.

9. TRADE AND OTHER RECEIVABLES

	30 June 2016 £	30 June 2015 £
Trade receivables	272,123	79,258
Other receivables	87,536	154,558
Prepayments and accrued income	79,611	336,534
	439,270	570,350

Included in other receivables is £33,800 (2015: £33,800) which is due in more than one year.

10. CASH AND CASH EQUIVALENTS

	30 June 2016 £	30 June 2015 £
Cash at bank and in hand	80,403	732,561
Short term deposits	750,000	1,250,000
Restricted cash	0	750,000
	830,403	2,732,561

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents does not differ from the carrying value.

The notes on pages 25 to 37 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2016

11. TRADE AND OTHER PAYABLES

Amounts falling due within one period

	30 June 2016	30 June 2015
	£	£
Trade payables	149,679	249,084
Other taxation and social security	38,628	27,527
Accrued expenditure and deferred revenue	664,833	325,639
	<u>853,140</u>	<u>602,250</u>

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing costs. The directors consider that the carrying amount of trade payables approximates to their fair value.

12. ISSUED CAPITAL

The issued share capital of the Company, including all changes during the year, can be summarised as followed:

	Number	£
<i>Issued and fully paid</i>		
As at 1 July 2014	32,367	32,367
Issued on 11th August 2014 at £92.69 per share	7,364	7,364
Issued on 24th November at £153.53 per share	12,246	12,246
	<u>51,977</u>	<u>51,977</u>
Subdivision of each ordinary share of £1 into 1,000 ordinary shares of £0.001	51,977,000	51,977
	<u>325,000</u>	<u>325</u>
Issued on 7th December 2014 at £0.15353 per share	3,908,000	3,908
Issued on 22nd December 2014 at £0.17 per share	21,635,150	21,635
	<u>77,845,150</u>	<u>77,845</u>
As at 1 July 2015	5,263,157	5,263
Issued on 2nd November 2015 at £0.19 per share	305,263	305
	<u>83,413,570</u>	<u>83,414</u>
As at 30 June 2016		

The notes on pages 25 to 37 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2016

13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the loss attributable to shareholders by the weighted average number of ordinary shares in issue during the period.

IAS 33 requires presentation of diluted EPS when a company could be called upon to issue shares that would decrease earnings per share, or increase the loss per share. For a loss making company with outstanding share options, net loss per share would be decreased by the exercise of options and therefore the effect of options has been disregarded in the calculation of diluted EPS.

	Year to 30 June 2016 £	Year to 30 June 2015 £
Loss attributable to shareholders	(3,039,571)	(3,581,169)
	Number 000's	Number 000's
Weighted average number of ordinary shares	81,504	59,895
	£	£
Loss per ordinary share	(0.04)	(0.06)

On 4 December 2014, the Company's shareholders passed a special resolution to subdivide each ordinary share of £1 into 1,000 ordinary shares of £0.001 each. Prior period comparative figures have been adjusted to reflect this subdivision.

14. SHARE BASED PAYMENTS**Equity-settled share option plans***Options and warrants*

The Board has authority to grant share options over up to 10% of the number of shares in issue.

The table below summarises the exercise terms of the various options over Ordinary shares of 0.001p each which had been granted, and were still outstanding, as at 30 June 2016. 2,282,041 new options were granted in the year. No options were exercised during the year, while 2,000,000 options lapsed due to members of staff leaving. The total number of outstanding options in issue at 30 June 2016 is 4,821,041 (2015: 4,539,000).

Of the options outstanding 2,413,571 are held by directors. Full details of all options held by directors are contained within the Directors Remuneration Report.

The principal assumptions input into the Black Scholes model to calculate the value of options issued for compliance with IFRS 2 "Share Based Payments" are included below, where applicable.

	Year ended 30 June 2016	Year ended 30 June 2015
Weighted average exercise price	£0.1345	£0.1351
Average expected life	2 years	1.5 years
Expected volatility	17.95%	56.4%
Risk free rate	0.87%	2.43%
Expected dividend yield	0%	0%

All options were granted at an exercise price equivalent to the market price at the date of grant. The weighted average exercise price of options outstanding at 30 June 2016 was £0.1351. The weighted average fair value of options issued during the period was £0.1423.

The notes on pages 25 to 37 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2016

14. SHARE BASED PAYMENTS (*continued*)

The average expected life is based on directors' best estimate taking into account the vesting conditions of the options.

Expected volatility has been calculated with reference to the actual volatility of the share price since the company's admission to AIM in December 2014.

Options may only vest at the discretion of the board of directors. No options have vested during the year.

Following the year end and the subsequent successful placing of shares, on 21 July 2016, the Company granted options over a further 9,145,670 ordinary shares, at an exercise price equivalent to the market price on that date of £0.11875. Of this total 8,570,670 were granted to directors of the Company.

15. RELATED PARTY TRANSACTIONS

On 5 March 2015 the Company purchased IT and production equipment amounting to £5,000 from Paul Kent, a director and shareholder in the company. This reflected the market value of the equipment at the time.

The Directors Remuneration Report provides details of share options issued to certain directors in the period.

16. COMMITMENTS UNDER NON-CANCELLABLE OPERATING LEASES

The company has the following total commitments under non-cancellable operating leases expiring as follows:

	Land and buildings	
	30 June 2016	30 June 2015
	£	£
Less than one year	134,333	188,667
1-2 years	–	38,333
2-5 years	–	–
Total	134,333	227,000

17. NOTES TO THE CASH FLOW STATEMENT

	30 June 2016	30 June 2015
	£	£
Cash flows from operating activities		
Loss before taxation	(3,136,751)	(3,581,169)
Depreciation of property, plant and equipment	150,191	39,727
Amortisation of intangible fixed assets	25,776	0
Interest Received	(15,193)	(2,568)
Share based payments	(6,989)	54,433
(Increase) in Inventories	(6,489)	(3,218)
(Increase)/ decrease in trade and other receivables	131,080	(429,548)
Increase in trade and other payables	250,890	491,133
Disposal of fixed assets	9,055	0
Corporation tax (paid)/ received	97,180	0
Cash used by operating activities	(2,501,250)	(3,431,210)
Interest paid	–	–
Net cash used by operating activities	(2,501,250)	(3,431,210)

The notes on pages 25 to 37 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2016

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company uses a limited number of financial instruments, comprising cash, short-term deposits, and various items such as trade receivables and payables, which arise directly from operations. The Company does not trade in financial instruments.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables.

Bank balances and cash are held by banks with high credit ratings assigned by independent credit rating agencies. Management is of the opinion that cash balances do not represent a significant credit risk.

As the Company does not hold security against trade and other receivables, its credit risk exposure is as follows:

30 June 2016	30 June 2015
£	£
363,581	570,350

The trade receivables balance represents amounts due from third parties. At the balance sheet date, the Company's trade receivables totalled £272,123 (2015: £79,258).

There are no significant overdue but not impaired trade receivables at the balance sheet date.

Liquidity risk

All trade and other payables are due for settlement within one year of the balance sheet date. The use of instant access deposits ensures sufficient working capital is available at all times.

Foreign exchange risk

The Company operates in overseas markets by selling directly from the UK. It is therefore subject to currency exposures on transactions.

Financial instruments held by the Company and their carrying values were as follows:

	As at 30 June 2016		As at 30 June 2015	
	USD \$	EUR €	USD \$	EUR €
Trade and other receivables	20,000	9,000	22,500	11,700
Cash	20,833	–	78,872	–
Trade and other payables	6,515	3,300	62,250	10,836
Net Current Assets/ Liabilities	47,348	12,300	163,622	22,536

Financial liabilities included in the balance sheet relate to the IAS 39 category of other financial liabilities held at amortised cost.

Assets relate to loans and receivables with the exception of other receivables and prepayments which are classified as non-financial assets.

The notes on pages 25 to 37 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2016

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (*continued*)**Fair value estimation**

The aggregate fair values of all financial assets and liabilities are consistent with their carrying values due to the relatively short term maturity of these financial instruments.

As cash is held at floating interest rates, its carrying value approximates to fair value.

Capital management

The Company is funded entirely through shareholders' funds.

If financing is required the Board will consider whether debt or equity financing is more appropriate and proceed accordingly. The Company is not subject to any externally imposed capital requirements.

The notes on pages 25 to 37 form an integral part of these financial statements.

Notes



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