



Annual Report & Financial Statements

30 JUNE 2018 GFINITY PLC

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Directors, Secretary and Advisers



The Board of Directors

Garry Cook
(Executive Chairman)

Graham Wallace
(Global Chief Operating Officer)

Neville Upton
(Founder)

Jonathan Hall
(Chief Financial Officer)

Preeti Mardia
(Non-Executive Director)

Andy MacLeod
(Non-Executive Director)

John Clarke
(Non-Executive Director)

Company Secretary

Jonathan Hall

Registered Office

35 New Bridge Street
London EC4V 6BW

Nominated Adviser and Broker

Allenby Capital Ltd
5 St Helen's Place,
London EC3A 6AB

Joint Broker

Shore Capital
Bond Street House
14 Clifford Street
London W1S 4JU

Independent Auditors

Rees Pollock
Chartered Accountants
35 New Bridge Street
London EC4V 6BW

Legal Advisers

Corporate
Fladgates
16 Great Queen Street
London WC2B 5DG

Commercial
Onside Law
642A Kings Road
Fulham
London SW6 2DU

Registrars

Link Market Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Financial Public Relations

Walbrook PR Ltd
4 Lombard Street
London EC3V 9HD

Registered Number

08232509

Period Highlights

Business Highlights:

- Partnered with Formula 1 and Codemasters to launch inaugural Formula 1 Esports Series
- Continued to deliver esports solutions for some of the world's largest games publishers, including EA SPORTS, Microsoft and Activision Blizzard
- Staged the inaugural Gfinity Elite Series in July 2017, with seasons 2 and 3 also falling during period
 - 10 leading esports franchises signed up to participate
 - First major content rights partnership with Facebook
 - Live viewership for season 3 of 12.5 million people, with a further 4.9 million viewing ancillary content
 - First blue chip commercial partner; Unilever
 - License of format, brand and underlying technology to Australia in conjunction with HT&E, with season 1 broadcast in conjunction with Twitch and Channel 10, attracting 4.8 million live viewers
- Planned investment in people, platform and product, to strengthen market leading position, providing platform for growth:
 - New and experienced leadership team, including Executive Chairman Garry Cook, plus addition of Andy MacLeod and Preeti Mardia to board
 - Completed two strategic acquisitions, significantly building development and digital community building capability:
 - ◆ CEVO, Inc ("CEVO") (July 2017)
 - ◆ Real SM Ltd ("Real Sport") (March 2018)

Financial Highlights:

- Increase in revenue of 82% to £4.3m (2017: £2.4m), driven by growth in both Gfinity's managed services business and its owned and operated properties
- Adjusted EBITDA loss increased to £12.5m, reflecting planned investment in people, product and technology platform
- Cash and cash equivalents at period end of £3.7m (2017: £4.5m)

Post-Period Highlight:

- Further strengthened leadership group, with appointments to the board of Graham Wallace (Global Chief Operating Officer) and John Clarke (Independent Non-Executive Director)
- Announced multi-year deal with Domino's Pizza as Presenting Partner of the Gfinity Elite Series
- Commenced season 2 of Formula 1 Esports Series
- Staged Halo Championship Series and finals of flagship Forza Racing Championship live from Gfinity Arena in London
- Announced successful completion of fundraising to raise £6.0m of new funds in October 2018

GOVERNANCE

Gfinity At A Glance

ABOUT GFINITY:

Gfinity is a world-leading esports solutions provider. Its business to business platform, "Powered by Gfinity", delivers managed services to game publishers, sports rights holders, commercial partners and media companies.

Gfinity also connects directly with competitive gaming consumers through its owned competition platform, the "Gfinity Elite Series". The Series enables competitive gamers to be part of the Gfinity community, testing themselves and developing new skills, while

providing a pathway for those who aspire to a career in esports to join a leading professional team. All Gfinity managed service solutions and owned competitions are underpinned by its proprietary technology platform. More information about Gfinity is available at www.gfinityplc.com.

World Leading Esports Solutions Provider

End-to-end solutions leveraging Esports expertise, technology content and broadcast capability

Managed Services

POWERED BY
GFINITY



Esport Solutions

Online & offline game and event management underpinned by leading Esports technology platform

Game Publishers,
Sport Rights Holders,
Commercial Partners

Content Creation

Offering world class studio and creative expertise to deliver high quality and valuable content

Content Buyers and
Distribution Platforms

Owned and Operated

GFINITY
ELITESERIES



Owned Content

Gfinity owned and branded leagues & events, including The Gfinity Elite Series

Our Brand, Production,
Content, and Format

Tribe

Building service offering access to our proprietary community platform of engaged consumers

Our Users, Viewers, Fans,
Consumers, Data, Insight

ABOUT ESPORTS:

Esports or esports (electronic sports) is watching or playing competitive video games.

Leading titles include League of Legends, Counter-Strike: Global Offensive, Defence of the Ancients 2 (DotA 2), Call of Duty and Rocket League. More recently sports rights

holders have aggressively moved into the sector including F1, NBA and the Premier League who have created organised competitive gaming competitions.



2.2 BILLION

People globally who play video games



380 MILLION

Global number of players & enthusiasts in 2018



588

The number of major global Esports events in 2017



\$112 Million

Prize money broke \$100 million mark for the first time in 2017



\$1.65 Billion

Projected Esports revenue by 2021



38%

Global Esports revenue increase during 2017



Executive Chairman's Report

Garry Cook Executive Chairman

I was delighted to be appointed Executive Chairman in May this year, after serving as a non-executive director since November 2017. It has been an exciting year for the company as we have further strengthened the foundations of our business by continuing to invest in our strategic priorities to generate future revenue growth.

I take it both as a significant responsibility but also as an endorsement of our professionalism that we are trusted by the world's leading publishers and rights holders to build their esports solutions and create compelling content for fans. Over the past 12 months we have connected publishers such as EA and Microsoft, rights holders such as Formula 1 and global brands and media partners with the young, engaged and fast growing esports community.

We operate in one of the world's most dynamic industry sectors. There are now more than 2 billion people gaming, the majority under the age of 35. This form of entertainment and participation is at the centre of young people's lives. The number of esports enthusiasts; those who compete, watch, follow, consume content is currently 380 million, growing close to 15% per annum. This creates opportunity. Gfinity has a track record for excellence in the market and this is generating additional opportunities with existing partners and significant new relationships.

MANAGED SERVICES SOLUTIONS: POWERED BY GFINITY

We saw continued growth in our esports solution business. Gfinity's strong execution track record and proprietary tournament and broadcast platform remains a key differentiator in the market and key reason why we are the partner of choice for the biggest names in gaming and sports.

During the year we deepened our relationship with Microsoft. We delivered

two major Halo events and were appointed Tournament Operator for the Global Forza programme, with the finals broadcast live from the Gfinity Arena in London. We also continued to build our partnership with EA, launching Battlefield V live from the Gfinity Arena.

A further highlight for the year was our partnership with one of the world's most iconic brands, Formula 1. We launched the F1 Esports Series which included two live events - the semi-finals at the Gfinity Arena and then the finals in Abu Dhabi in November. More than 60,000 fans entered the competition and the races were viewed in 123 countries. Based on this success we have been appointed to deliver and grow the F1 Esports Series in 2018.

OWNED CONTENT: GFINITY ELITE SERIES

During 2017 we delivered three Gfinity Elite Series competitions. The Gfinity Elite Series is a proprietary tournament format featuring 10 of the world's leading esports team franchises playing three different games, including EA SPORTS FIFA 18, Psyonix Rocket League and Capcom and Dimps Street Fighter. Broadcast partners for Elite Series 1 and 2 included BBC3 and BT Sport. In March we signed an exclusive digital broadcast agreement with Facebook, granting it global online streaming rights for the Gfinity Elite Series until the end of 2018, starting with Series 3.

We announced at the start of the 2018/2019 financial year that we had signed a multi-season agreement with Domino's Pizza to become Presenting Partner of the Gfinity Challenger and Elite Series UK.

The strength of the Elite Series is that it has built a connection with millions of consumers and that it is adaptable to any publisher, rights holder or branded

solution. We have flexibility to mould the product into any format we believe delivers the greatest value to our Tribe, our partners and our business model.

STRATEGIC ACQUISITIONS

In July 2017 Gfinity acquired CEVO, a US based specialist esports platform architecture developer. The CEVO team has an innate understanding of the technology needs for successful esports competitions, making them a respected leader in this specialised, fast growing field. The CEVO team has been fully integrated into Gfinity.

In March 2018 Gfinity acquired London based Real SM Ltd (Real Sport). Founded in January 2016, Real Sport's platform features original content, including news documentaries, podcasts, analysis and opinions. The young and dynamic Real Sport team are experts in on-line community, based on creating searchable digital esports content and delivering a superior consumer experience. The platform attracts more than a million visitors per month. Real Sport is now fully integrated into Gfinity.

INTERNATIONAL EXPANSION

In August 2017 Gfinity announced the launch of the Gfinity Elite Series in Australia. The Gfinity Elite Series Australia was created through a newly formed joint venture, Gfinity Esports Australia, in conjunction with HT&E Events Limited, itself a joint venture between HT&E Limited ('Here, There & Everywhere') a leading, ASX-listed, media and entertainment business, and IKON Media & Entertainment. Gfinity Elite Series Australia 1 took place in June and July 2018.

CORPORATE SOCIAL RESPONSIBILITY

Gaming has a positive role to play in our society, from connecting young people with like-minded gamers across the

GOVERNANCE

Executive Chairman's Report *(continued)*

globe; to building self-esteem through the mastery of new skills. There are also negative connotations associated with gaming. Gfinity is committed to understanding these concerns and to use its platform and voice to help find answers. I firmly believe there is a space within the education system to utilise gaming skills to teach young people through a medium they understand and have passion for. This is very much the future.

OUTLOOK

Gfinity is a trusted brand in one of the most exhilarating and fast-growing industry segments. Gaming is at the heart of young people's lives. By continuing in 2018 to focus on our strategic priorities – delivering innovative tournament series; creating and hosting partner events; building our digital community, our Tribe; and playing a positive role in society through our corporate responsibility initiatives – we have a pathway to

significant revenue growth. I am excited to be part of this industry and proud to lead the Gfinity team. It is a team of dedicated and passionate professionals. I would like to take this opportunity to thank them for all that they do and to thank all our business partners for their continued trust and support.

Garry Cook
Executive Chairman
26 November 2018



Chief Financial Officer's Report

Jonathan Hall Chief Financial Officer

SUMMARY

The results for the year to 30 June 2018 reflect a period of strong revenue growth for the company, coupled with planned investment in people, product and technology platform to further strengthen Gfinity's position as a market leader in the fast-growing esports sector. A position that is reflected in our growing blue-chip client base.

PERIOD REVIEW:

Revenue across the Gfinity group of £4.3m (2017: £2.4m) represents a year on year increase of 82%. On a like for like basis, excluding the impact of acquisitions, year on year revenue growth was 53.5%. The revenue growth came from both managed services and Gfinity's owned and operated properties and included the addition of two major new clients, Formula 1 and Facebook, alongside our existing strong client relations.

The results are heavily impacted by our investment in the launch of the Gfinity Elite Series in UK, the first three seasons of which all took place in the year to 30 June 2018. As a result of this investment, in March 2018 we were delighted to welcome Facebook as a content partner from season 3 onwards, with only one season's worth of income from this partnership falling into the period. Following the year end we were also very pleased to announce that Domino's Pizza would be joining the Gfinity Elite Series as Presenting Partner from Season 4 onwards. None of the income from this partnership therefore forms part of these results. Overall, the net investment in the launch of Gfinity Elite Series in the period amounted to £4.7m, with a positive contribution of £1.3m from other activities.

Administrative expenses include £1.3m of non-cash items; depreciation £0.4m

(2017: £0.2m), amortisation £0.4m (2017: £0.0m) and share option charge £0.4m (2017: £0.1m). Excluding these items, Administrative Expenses amount to £8.7m (2017: £4.6m). This year on year increase has been driven by an increase in staff costs, both through targeted recruitment of high calibre individuals and through the acquisitions of CEVO and Real Sport (CEVO's post-acquisition admin expenses in the year were £0.7m and Real Sport's £0.1m).

On the same basis, excluding the non-cash items, the adjusted EBITDA loss for the full year was £12.5m, representing an improvement of £2.0m in the second half of the year, with £7.4m loss for the first half of the year reducing to £5.0m for the second half of the year.

Year-end cash of £3.7m (2017: £4.5m) was supplemented by an oversubscribed fundraise completed in November 2018, comprising of both new and existing holders, leaving the business well capitalised as we move into 2019.

FINANCIAL OUTLOOK

The Company targets Adjusted EBITDA break-even operating results within the next few years. Revenue is expected to be driven by significant increased activity in managed services, both service fees and content revenue from esports solutions for sports rights holders and commercial brands in collaboration with publishers and distribution partners. The Company also expects significant contribution from its owned and operated properties, hereunder the Gfinity Elite Series and its digital "Tribe" community under development.

Annual administrative expenditure, adjusted for non-cash items, is expected to reach and remain relatively stable around £10-12 million in the medium term, as the majority of investment in the esports solutions platform, commercial delivery and content production is

completed. Increasing value of esports content through a growing audience and stable opex is expected to drive material operational scalability. As such, the Company targets a long-term group gross margin of 30-40% and an Adjusted EBITDA margin in the range of 15-25% on a normalised basis.

Jonathan Hall
Chief Financial Officer
26 November 2018

STRATEGIC REPORT

Principal Risks and Uncertainties:

INTRODUCTION:

The long-term success of Gfinity in delivering on its strategy will depend in a large part on its ability to manage the key risks affecting the business. Gfinity is a pioneering company in a new and rapidly growing sector, with multiple stakeholders. In that context, the risks facing Gfinity can change quickly and the board recognises the importance of identifying key risks and ensuring that the right mitigation strategies are in place for managing these.

Ultimate responsibility for managing risk lies with the board. Executive responsibility for retaining the register of risks and reporting on these to the board lies with the Chief Financial Officer and Company Secretary. Responsibility for

the management of risks lies with different members of the Executive leadership team depending on the nature of the risk.

Gfinity distinguishes between strategic risks and operating risks. Strategic risks represent macro level matters, which may impact on the strategy of the company. Operating risks reflect the ongoing challenges that the business may face in delivering on that strategy.

On a day to day basis, responsibility for managing strategic risks lies with the Executive Chairman. Mitigation strategies and the emergence of new strategic risks are considered through the weekly strategic leadership team meetings, which he chairs.

Operational risks are the responsibility of the Global Chief Operating Officer and are considered at the weekly Operational Leadership team meeting, including the Chief Financial Officer and heads of respective operational and commercial departments.

In assessing its attitude to risk, directors aim to strike a balance between ensuring comprehensive processes and monitoring framework in place, as would be expected of a publicly listed company, while retaining the dynamism and innovation required to grow quickly within a rapidly developing and changing sector. The directors believe the principal risks currently affecting the business are as outlined below:

STRATEGIC RISKS

Risks:	Description	Mitigating Actions
Intellectual property risk	<p>Esports involve the use of intellectual property, typically owned by the publishers of the respective game titles.</p> <p>Gfinity must consider the risk of changes in strategy of the intellectual property owners, resulting in certain games not being available for use by Gfinity in its esports properties, or fees being required for the use of intellectual property, which may present a challenge to Gfinity's business model.</p>	<p>Gfinity brand and technology platform has been developed across multiple titles, ensuring there is no dependence on any single title.</p> <p>Gfinity maintains strong relationships with multiple game publishers and has demonstrated the value it can bring to them in building communities and driving engagement around their games, which in turn drives revenues for the publishers through sales of the games themselves and in-game content. As a result, a number of the major game publishers have become key clients of Gfinity.</p>
Perception of video gaming	<p>Some people view video gaming in a negative fashion, promoting an unhealthy lifestyle and lack of social interaction. There is a risk that this perception will provide a barrier to entry to commercial partners and broadcasters, presenting a risk to Gfinity's business model.</p>	<p>Gfinity seeks to educate partners and the wider industry on the positive impact of gaming. Esports provides a social platform for people to play and interact, in a highly accessible way. Even at a top level, where teams and players are practicing for multiple hours per day, this will frequently be supplemented by fitness and nutrition programmes to keep players healthy.</p>

Risks:	Description	Mitigating Actions
Competition risk	There are currently very few companies globally that can deliver full end to end esports solutions and Gfinity has established a first mover advantage. As the market develops, however, there is a risk of new entrants coming into the market, or game publishers looking to bring the capability in house.	Gfinity's unique capability comes from a combination of its proprietary platform, the cumulative knowledge and breadth of relationships of its experienced team and the investment in its esports studio. Gfinity continues to invest in these capabilities to retain a lead in the market place and to position itself such that any major new entrant to the esports market, or any major publisher looking to expand their esports offering, would be able to move more quickly by acquiring Gfinity than by trying to replicate these capabilities in house.
Speed of revenue growth	Gfinity operates in a pioneering sector. Directors believe, supported by market research, that the value of that sector is significantly below the level it should reach, given the size and level of engagement of the audience and the attractiveness of that demographic to broadcasters and commercial partners. Nonetheless, that growth may not be linear and that may present a risk to the speed of revenue growth.	The directors of Gfinity firmly believe that establishing a market leading position in the fast-growing esports sector to be the best route to delivering significant long term value to shareholders. Nonetheless, in setting budgets and financial commitments, the board considers the short to medium term pipeline of work available and also continues to liaise with key shareholders on an ongoing basis to ensure the availability of further funding if required.

STRATEGIC RISKS

Risks:	Description	Mitigating Actions
Liquidity risk	Gfinity is currently a loss-making company and as such, must ensure that it has sufficient capital available to deliver on its strategy.	Gfinity maintains strong core group of investors but has also sought over recent fundraises to broaden this shareholder base, expanding its investment roadshows to new geographies and investigating opportunities with strategic investors as well as financial institutions and private individuals.
Access to key skills	Esports is a new sector and as such, the number of people with deep experience in developing and delivering esports solutions is limited. Without access to this expertise, Gfinity would not be able to provide the depth of solutions to its client base, or build its own Gfinity "tribe".	Gfinity places high importance on succession planning within the business, ensuring that skills are not vested in a single individual. This is built through development of existing staff, recruitment of certain key personnel and where appropriate through targeted acquisitions. Senior individuals are also incentivised through an employee option scheme, driving loyalty to the business.
Data security risk	Gfinity has built a large community of esports fans playing, watching and socialising through its own platform and those of CEVO and Real Sport. Increasing levels of data protection regulation, including the recently introduced GDPR legislation make it imperative that any data gathered through these platforms is collected, handled and protected in accordance with all relevant regulations. Any failure to do so would significantly erode trust, both among the esports community and prospective commercial partners.	Gfinity has undertaken an in-depth review of its data policies and procedures, in conjunction with lawyers and data protection experts in response to recent data protection legislation. All user data held is in a secure and encrypted manner and is only used in compliance with all relevant legislation.

This report was approved by the board and signed on its behalf.

Garry Cook
Executive Chairman,
26 November 2018

GOVERNANCE

Corporate Governance Report:

CHAIR'S STATEMENT ON CORPORATE GOVERNANCE:

"The Directors recognise the fundamental importance of good corporate governance in providing an efficient, effective and dynamic management framework to ensure that the company is managed in the right way for the benefit of all shareholders over the medium to long-term. In view of this, the board of Gfinity plc has chosen to apply the QCA Corporate Governance Code (the 'QCA Code') published by Quoted Companies Alliance. The QCA Code is a pragmatic and practical tool, which adopts a principles-based approach to corporate governance, which the directors of Gfinity believe is correct for Gfinity in its current stage of growth. This section of the report, provides further details on how Gfinity complies with these principles of good corporate governance. Further information can also be found on our investor website www.gfinityplc.com."

Garry Cook, Executive Chairman

BOARD OF DIRECTORS:

The Gfinity plc board is responsible for:

- Setting the strategy across all Gfinity group companies
- Defining business model and the financial framework within the business must operate
- Setting and ensuring the implementation of the culture to deliver success
- Designing and implementation of controls and risk management framework
- Ensure communication with key stakeholders, including; staff, shareholders, suppliers and customers
- Appointing a senior Executive Team, capable of delivering on defined strategy
- Monitoring performance against the above areas and taking remedial actions as appropriate
- Ensuring availability of capital to deliver on chosen strategy

The board retains overall responsibility for ensuring strong corporate governance and is supported by the Audit, Nominations and Remuneration Committees. This section provides further detail on the composition and conduct of business of the board and its respective committees together with information on how they discharge their responsibilities.

BOARD OF DIRECTORS:

GARRY COOK, EXECUTIVE CHAIRMAN	<i>Appointed: 23 November 2017</i>
A leading sports executive, Garry has worked in a number of high-profile roles as CEO for Manchester City Football Club, President of Nike's "Brand Jordan" and most recently as Head of Global Brand and International Market Development for the mixed martial arts organisation the Ultimate Fighting Championship ('UFC'). In July 2016 it was announced that UFC had been sold to a consortium led by WME-IMG for a reported \$4 billion. Garry joined the board in November 2017 and became the executive chairman in May 2018.	
GRAHAM WALLACE, GLOBAL CHIEF OPERATING OFFICER	<i>Appointed: 12 July 2018</i>
Graham, a Chartered Accountant, has held senior executive positions with leading sports and entertainment companies including Viacom Inc, MTV Networks Europe and IMG Media. He was Chief Financial Officer and latterly Chief Operating Officer at Manchester City FC where he led the business transformation programme between 2009 and 2013. He joined Rangers FC as Chief Executive where he helped to lead the rebuilding of the club following its exit from administration. Recently Graham has worked with several leading investment groups advising on strategic, operational and financial matters in a range of sports and media properties. Graham joined the board in July 2018.	
NEVILLE UPTON, FOUNDER	<i>Appointed: 15 January 2014</i>
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, CHIEF FINANCIAL OFFICER	<i>Appointed: 1 September 2014</i>
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 Chief Financial Officer Jon has responsibility for all aspects of finance and accounting, including financial planning, reporting and accessing capital to fund growth.	
PREETI MARDIA, INDEPENDENT NON-EXECUTIVE DIRECTOR	<i>Appointed: 23 November 2017</i>
Preeti Mardia has diverse end-to-end operational management and commercial expertise across Electronics, Telecoms, Aerospace and FMCG sectors. Preeti Mardia is a Board Director with ThinFilm Electronics ASA, a global leader in printed electronics technology, and a non-executive director of Maistro plc. Prior to the position of Senior Vice President Operations held at IDEX ASA, she was Vice President Operations for Axxcss Wireless UK and Operations Director at Filtronic Plc. She has FMCG experience in operations with Cadbury Schweppes Plc. Preeti Mardia has a Masters degree in Management from Ashridge. Preeti joined the board in November 2017.	
ANDY MACLEOD, INDEPENDENT NON-EXECUTIVE DIRECTOR	<i>Appointed: 23 November 2017</i>
Andy has extensive communications industry experience from a variety of senior roles with major carriers and technology vendors. For the last ten years he has been at Vodafone Group, firstly as Group Chief Networks Officer responsible for the operation of Vodafone's networks world-wide, then Chief Technology Officer for Verizon Wireless in the USA and latterly the Regional CTO for the thirteen Vodafone Operating Companies outside Europe. Andy has served on the boards of Verizon Wireless Inc, Vodafone Italy Spa and Indus Towers Ltd and is Deputy Chair of IDEX ASA. He holds a degree in Materials Science from Oxford University, an MBA and is a Fellow of the Royal Academy of Engineering. Andy joined the board in November 2017.	
JOHN CLARKE, INDEPENDENT NON-EXECUTIVE DIRECTOR	<i>Appointed: 18 September 2018</i>
John Clarke is a business professional with more than 25 years of international experience gained working in and with leading global companies. John has worked for HEINEKEN N.V. where he held the position of Head of Global Communications and, most recently, as a senior commercial director within Lagunitas Brewing Company, a 100% owned subsidiary of HEINEKEN N.V. Previously he held senior leadership, corporate affairs and marketing positions within The American Express Company and Burson-Marsteller Public Relations. John joined the board in September 2018.	

BOARD COMPOSITION AND PERFORMANCE:

The composition of the Gfinity board is structured to contain the range of skills and personal qualities as required to effectively discharge its duties. The board recognises that as Gfinity develops with a rapidly growing sector the precise composition required shall change from time to time. Responsibility for reviewing the composition of the board and making recommendations for appointment and removal of directors rests with Nominations Committee, further details in respect of this are provided below.

Any such recommendations are subject to formal approval of the full board.

The board recognises the importance of diversity of skills and approach in effectively conducting its duties and as such, has sought to appoint high calibre individuals from a wide-range of backgrounds and sectors.

Role of Chair:

The primary responsibility of the Chair is to lead the board effectively and to oversee the adoption, delivery and communication of the company's

corporate governance model. As an Executive Chairman, Garry Cook, also retains responsibility for the development and delivery of the Company's strategy, supported by the other Executive Directors.

The Chair ensures that the board considers the key issues affecting the Group, both operationally and financially and together with the Company Secretary ensures the correct information flows between the board, its respect committees and between the Independent Directors and senior management.

GOVERNANCE

Corporate Governance Report *(continued)***Role of Company Secretary:**

The company secretary acts as a trusted adviser to the chair and the board and plays a vital role in relation to both legal and regulatory compliance. The company secretary supports the work of the respective board committees and also acts as a confidential sounding

board to the chairs of those committees.

Board Conduct of Business:

Full board meetings were previously monthly, but are now held on a quarterly basis, with a minimum of 4 meetings per annum to conduct the regular business of the board. Further full board meetings shall be held as required to provide approval on specific matters.

In months in which there is no full formal board meeting, a board call still takes place, in order to keep all directors informed on the progress of the business.

The quorum for a board meeting to be considered valid is 2.

ATTENDANCE RECORD:

Director	Number of Meetings Attended	Total Meetings in Period in Office
Tony Collyer	11	11
Neville Upton	13	13
Garry Cook	8	9
Jonathan Hall	13	13
Paul Kent	1	4
Philip Shuldham-Legh	3	4
David Yarnton	3	4
Jonathan Varney	3	4
Preeti Mardia	9	9
Andy MacLeod	6	8

Board Review and Performance

The board monitors its performance and composition on an ongoing basis and recognises that as the company grows in a rapidly developing sector, the mix of skills required to best discharge its duties may change from time to time. It was in that context, that during the year, the Board appointed three new directors; each a leader in their respective sector and subsequently invited Garry Cook to assume the role of Executive Chair. It was also in that context that following the year end the board was strengthened further, with the appointment of Graham Wallace and John Clarke.

Following the restructuring of the board, a new formalised process has been introduced, for the assessment

of board performance, on an annual basis. This process will be reviewed and led by the Chair of the Nominations Committee, supported by Company Secretary and will assess the board's performance against its stated terms of reference, both in terms of the process by which business is conducted and the results achieved.

Audit Committee:

The role of the Audit Committee is to provide confidence to shareholders on the integrity of the financial results of the company expressed in this annual report and accounts and other relevant public announcements of the company. The Audit Committee also has a key role in the oversight of the effectiveness of the risk management and internal

control systems of the company and to make recommendations to the board for improvements in this regard.

The Audit Committee comprises:
Preeti Mardia (Chair)
Andy MacLeod
Graham Wallace

The Chief Financial Officer is invited to attend Audit Committee meetings but does not formally form part of the Committee.

Director	Number of Meetings Attended	Total Meetings in Period in Office
Tony Collyer	3	3
David Yarnton	1	1
Jonathan Varney	1	1
Preeti Mardia	1	1
Andy MacLeod	1	1

Nominations Committee:

The nomination committee ensures there is a robust process for the appointment of new board directors. The committee works closely with the board and the chair to identify the skills, experience, personal qualities and capabilities required for the next stage in the company's development, linking the company's strategy to future changes

on the board. Only the nominations committee is able to formally submit a recommendation to the board for the appointment of a new director. All such recommendations are still subject to the approval of the board.

A separate Gfinity plc Nominations Committee was constituted following the appointment of an Executive Chairman in

May 2018. Prior to this appointment, the role of the nominations committee was undertaken by the full board, under the guidance of a Non-Executive Chairman.

The Nominations Committee comprises of:

Andy MacLeod (Chair)
Preeti Mardia
Graham Wallace

Director	Number of Meetings Attended	Total Meetings in Period in Office
Preeti Mardia	1	1
Andy MacLeod	1	1

Remuneration Committee:

The Remuneration Committee is responsible for outlining the principles of remuneration strategy to be applied across the Gfinity Group. It also directly approves the remuneration of all Directors, together with the grant of any option over shares in Gfinity plc.

Compensation is based on an expectation that the director will spend a minimum of 30 days a year on work for the Company. This will include attendance at a minimum

of 6 Board meetings p.a., each general meeting, plus other activities as agreed with the Executive team from time to time, including membership of board committees.

Non-Executive Directors may support additional projects over and above their role as Non-Executive Directors and may be remunerated at or below market rate for those services. The extent of such services must not, however, compromise their status as Non-Executives,

independent of the Executive team.

The remuneration committee consists of Andy MacLeod and Preeti Mardia.

Director	Number of Meetings Attended	Total Meetings in Period in Office
Tony Collyer	1	1
Garry Cook	0	0
David Yarnton	1	1
Jonathan Varney	1	1
Preeti Mardia	2	2
Andy MacLeod	2	2

Full disclosure of director remuneration is provided within the Directors Remuneration Report.

GOVERNANCE

Directors' Remuneration Report

As the Company 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 Company 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 the Chief Financial Officer.

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. Executive Directors are eligible for pension contributions at the same rate as

all employees. These amounts are inline with the Government's auto enrolment scheme. No other benefits, such as health insurance, were made in the year.

ANNUAL BONUSES

Bonuses awarded to executive directors are included in the Directors' Emoluments table on page 18. In line with the Company's remuneration policy bonuses paid to directors are intended to be at or below market rate for the roles.

SHARE OPTIONS

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

The Company has an executive share option scheme, which is designed to promote long-term improvement in the performance of the Company, sustained increase in shareholder value and clear linkage between executive reward and the Company's performance.

All directors hold either shares or share options in the company. The board of Gfinity believe it to be an essential part of attracting high calibre individuals to the board of directors, while preserving cash, in the interests of all shareholders, that Non-Executive Directors are offered options in the company at a price and level that aligns them with the interests of the wider shareholder base.

SERVICE CONTRACTS

All existing directors at the time of the Company's admission to AIM entered into new service contracts on 16 December 2014, immediately prior to that admission. All new directors since this date have entered

into comprehensive director service contracts at the time or, or immediately in advance of commencing their roles.

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' Remuneration Report *(continued)*

AUDITED INFORMATION

Directors' interests in shares

The interests of the Directors at 30 June 2018 in the shares of the Company were:

	Number of Ordinary Shares	Percentage of issued share capital
Neville Upton	14,877,245	5.20
Garry Cook	740,741	0.27
Jonathan Hall	–	–
Preeti Mardia	–	–
Andrew MacLeod	78,704	0.03
	15,696,790	5.50

Share Options

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

	As at 30 June 2017	Options Granted	Options Lapsed	As at 30 June 2018
Neville Upton	7,870,670	–	–	7,870,670
Jonathan Hall	1,548,571	–	–	1,548,571
Garry Cook	–	1,000,000	–	1,000,000
Andrew MacLeod	–	1,000,000	–	1,000,000
Preeti Mardia	–	1,000,000	–	1,000,000
Directors at Year End	9,429,241	3,000,000	–	12,429,241
Tony Collyer	323,000	–	–	323,000
Paul Kent	200,000	–	–	200,000
Philip Shuldham-Legh	643,000	–	–	643,000
Jon Varney	200,000	–	–	200,000
David Yarnton	199,000	–	–	199,000
Share Options Held by Directors in Year	10,984,241	3,000,000	–	13,994,241

Directors' Remuneration Report *(continued)*

Directors' emoluments

Emoluments of the directors for the year ended 30 June 2018 are shown below.

	Year ended 30 June 2018		Year ended June 2017	
	Salary and Fees (£)	Benefits (£)	Total Remuneration (£)	Total Remuneration (£)
Garry Cook	80,000	–	80,000	–
Neville Upton	150,000	–	150,000	100,000
Jonathan Hall	120,000	5,000	125,000	115,000
Preeti Mardia	15,278	–	15,278	–
Andrew MacLeod	15,278	–	15,278	–
Directors at Year End	380,556	5,000	385,556	215,000
Paul Kent	43,417	–	43,417	83,500
Philip Shuldham-Leigh	6,250	–	6,250	20,000
David Yarnton	18,281	–	18,281	33,425
Tony Collyer	27,000	–	27,000	24,000
Jon Varney	48,000	–	48,000	–
Directors in Year	523,504	5,000	528,504	375,925

¹ – In addition to the amounts stated above Paul Kent earned £43,417 up to his resignation as director on 23 November 2017, Phillip Shuldham Leigh earned £6,250 up to 23 November 2017 when he resigned as director, David Yarnton earned £18,281 up to 23 November 2017 when he resigned as director, Jonathan Varney earned £48,000 up to 23 November 2017 when he resigned as director and Tony Collyer earned £27,000 up to 18 May 2018 when he resigned as director

² – Fees in respect of David Yarnton fees invoiced via Equinox Talent Ltd. Garry Cook invoiced via i2 Global Consulting

On 12 July 2018 Garry Cook and Graham Wallace were each granted 8,590,446 share options.

This report was approved by the board and signed on its behalf.

Garry Cook
Executive Chairman
26 November 2018

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 2018.

PRINCIPAL ACTIVITIES

Gfinity plc is a world-leading esports solutions provider, serving the rapidly growing community of competitive gamers worldwide, both through its owned and operated properties, including the Gfinity Elite Series and through its "powered by Gfinity" managed services business.

An overview of Gfinity's strategy and business model is provided within the Gfinity At A Glance section of this report.

FUTURE DEVELOPMENT

Our development objectives for 2018–19 are disclosed in the Strategic Report.

CAPITAL STRUCTURE

The capital structure is intended to ensure and maintain strong credit ratings and healthy capital ratios 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 2018.

RESULTS AND DIVIDENDS

The consolidated income statement is set out on page 36. The Company's loss after taxation amounted to £13.57m (2017: £5.23m). The directors do not recommend the payment of a dividend for the year ended 30 June 2018.

EVENTS SINCE THE BALANCE SHEET DATE

On 11 October 2018 Gfinity plc announced its intention to raise up to £6m by way of a placing to new and existing holders. On 8 November 2018 this placing was approved at an Extraordinary General Meeting of the Company and the new shares were admitted to AIM on 9 November 2018.

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.

RISK MANAGEMENT

Information on Gfinity's approach to risk management is provided within the Principal Risks and Uncertainties section of this report.

DIRECTORS

The following directors held office as indicated below for the year ended 30 June 2018 and up to the date of signing the consolidated financial statements except where otherwise shown.

Garry Cook

Executive Chairman

Neville Upton

Founder

Jonathan Hall

Chief Finance Officer

Preeti Mardia

Non-executive Director

Andy MacLeod

Non-executive Director

Tony Collyer

*Non-Executive Chairman**

Paul Kent

*Technology and eSports Director**

Philip Shuldham-Legh

*Marketing Director**

David Yarnton

*Non-Executive Director**

Jonathan Varney

*Non-Executive Director**

*Paul Kent, Phillip Shuldham-Legh, David Yarnton and Jonathan Varney resigned their positions as directors on 23 November 2017 with Garry Cook, Preeti Mardia and Andy MacLeod being appointed. Tony Collyer resigned his position on the board on 17 May 2018 with Garry Cook assuming the position of Executive Chairman

Graham Wallace was appointed to the board on 12 July 2018 and John Clarke was appointed 18 September 2018

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.

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.

By order of the board:

Garry Cook
Executive Chairman
26 November 2018



Report & Financial Statements 30 June 2018

Financial Statements

Independent Auditors' Report to the shareholders of Gfinity plc

for the year ended 30 June 2018

Opinion

We have audited the financial statements of Gfinity PLC ('the parent company') and its subsidiaries (the 'group') for the year ended 30 June 2018 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statement of financial position, the consolidated and parent company statement of changes in equity, the consolidated and parent company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report to the shareholders of Gfinity plc (*continued*)

for the year ended 30 June 2018

Key audit matter	How the scope of our audit addressed the risk
<p><i>Going concern assessment (Group and parent company)</i></p> <p>The group has reported a post-tax loss for the year of £13.4m and at the balance sheet date had net current assets of £3.5m, including cash and cash equivalents of £3.7m, a net decrease for the year of £0.8m. Continued losses of this magnitude would rapidly reduce net current assets and cash reserves. Accordingly, the going concern assumption has been identified as a key audit risk. If the going concern assumption were not appropriate this would have a pervasive effect which could impact on the group's ability to realise assets in the normal course of business.</p> <p>The appropriateness of applying the going concern basis has been referenced on page 47 of the financial statements.</p>	<p>We evaluated the directors' assessment of going concern by reviewing cash flow forecasts prepared by management and considering the impact of events that had taken place subsequent to the balance sheet date but prior to the date of approval of the accounts. In particular we have assessed the impact of the share placing that took place on 9 November 2018 which resulted in a further £6.0m of funding (net of placing costs).</p> <p>We challenged the significant inputs and assumptions used in the forecast model and considered what options are available to management in the event that the projected cash flows fall below forecast figures.</p> <p>We considered the judgements made by management in applying the going concern assumption to be reasonable in light of the evidence available to the date of this report.</p> <p>Furthermore, we considered the disclosure in note 2 to the financial statements to be appropriate having given specific regard to this being an area of critical accounting estimate and judgement.</p>
<p><i>Business combinations (Group)</i></p> <p>During the year the company acquired two trading entities, Cevo Inc. and RealSM Limited, and therefore has applied IFRS 3: Business Combinations, as disclosed in note 25, and IFRS 10: Consolidated Financial Statements for the first time.</p> <p>In applying IFRS 3 the directors are required to identify and measure at fair value the tangible and intangible assets and liabilities acquired, including those that were previously unrecognised in the accounts of the acquired entity. The assessment of what constitutes a separately recognisable asset or liability, as well as the determination of its fair value, requires significant estimation and judgement. Accordingly, the application of IFRS 3 has been identified as a key audit risk.</p>	<p>We evaluated the directors' application of IFRS 3 by assessing the rationale applied in assessing what constitutes a separately recognisable asset or liability, before reviewing the method and calculation applied to determine the fair value in each case.</p> <p>We challenged the significant inputs and assumptions used in the fair value calculations and considered whether the method applied was appropriate in the case of each identified asset or liability. In addition, we discussed with management as well as reviewing available financial and non-financial information that related to the respective acquisitions for indications of potentially unidentified assets or liabilities.</p> <p>Based on our procedures we have concluded that IFRS 3 has been applied correctly and consider the judgements made by management in identifying and measuring the acquired assets and liabilities to be reasonable.</p>

Financial Statements

Independent Auditors' Report to the shareholders of Gfinity plc (*continued*)

for the year ended 30 June 2018

Key audit matter	How the scope of our audit addressed the risk
<p><i>Goodwill impairment assessment (Group)</i></p> <p>The group had goodwill of £2.5m (note 11) with an indefinite life as at 30 June 2018, which is required to be tested for impairment on an annual basis.</p> <p>Management have performed a full impairment review to compare the carrying amount of goodwill to its recoverable value, being the higher of value-in-use and fair value less costs to dispose. The directors have allocated goodwill to individual cash generating units ('CGUs') and the determination of the recoverable amount of the CGUs requires significant estimation and judgement, as disclosed in note 3. Accordingly, the carrying value of goodwill has been identified as a key audit risk.</p>	<p>We evaluated the directors' assessment of the carrying value of goodwill by reviewing the cash flow and profit forecasts included in the directors' value-in-use calculations for respective CGUs.</p> <p>We challenged the significant inputs and assumptions used in the calculations and performed sensitivity analysis to the forecasts to ascertain the extent to which reasonable adverse changes would, either individually or in aggregate, require the impairment of goodwill and other intangible assets.</p> <p>Based on our procedures and the evidence available to the date of this report we have concluded that no impairment to the carrying value of goodwill is necessary.</p>
<p><i>Valuation of investments (Parent company)</i></p> <p>The group had investments in its subsidiaries of £4.5m (note 12) with an indefinite life as at 30 June 2018, which is required to be tested for impairment on an annual basis.</p> <p>Management assess the valuation of these investments with reference to their recoverable amount, being the higher of the assets' fair value less costs to sell and value-in-use. The determination of the recoverable amount of the investments requires significant estimation and judgement, as disclosed in note 3. Accordingly, the valuation of investments has been identified as a key audit risk.</p>	<p>For the purposes of this assessment, the value-in-use assessment is calculated on the same basis as that applied to the assessment of goodwill referred to above, and was therefore subject to the same audit procedures.</p> <p>Based on our procedures and the evidence available to the date of this report we have concluded that no impairment to the carrying value of investments is necessary.</p>

This is not a complete list of all risks identified by our audit..

Our application of materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and evaluate the impact of misstatements identified. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Based on our professional judgement, we determined overall materiality for both the parent company's and the group's financial statements as a whole to be £600,000 (2017: £250,000). In determining this, we considered a range of benchmarks with specific focus on the loss for the year, total revenue for the year and total assets as at the balance sheet date. This materiality level represents 4.5% (2017: 4.7%) of loss before tax, 13.9% (2017: 10.5%) of revenue and 5.2% (2017: 3.5%) of total assets.

We report to the Audit Committee all identified unadjusted errors in excess of £60,000. Errors below that threshold would also be reported if, in our opinion as auditor, disclosure was required on qualitative grounds.

Independent Auditors' Report to the shareholders of Gfinity plc (*continued*)

for the year ended 30 June 2018

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

The group is comprised of the parent company and its two subsidiaries, one of which is based in the UK with the other operating in the US. The parent company was subject to a full scope audit based on the materiality set out above and the two subsidiaries were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the group.

All audit work to respond to the risks of material misstatement of both the group and the parent company was performed directly by the audit engagement team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited 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.

Financial Statements

Independent Auditors' Report to the shareholders of Gfinity plc (*continued*)

for the year ended 30 June 2018

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Jonathan Munday (Senior Statutory Auditor)

for and on behalf of

Rees Pollock, Statutory Auditor

26 November 2018

Group Statement of Profit or Loss

for the year ended 30 June 2018

	Note	1 July 2017 to 30 June 2018 £	1 July 2016 to 30 June 2017 £
CONTINUING OPERATIONS			
Revenue		4,317,325	2,372,452
Cost of sales		(7,732,767)	(2,775,724)
Gross loss		(3,415,442)	(403,272)
Administrative expenses	5	(10,033,326)	(4,932,771)
Operating loss		(13,448,768)	(5,336,043)
Finance income	7	1,432	4,564
Finance costs	7	(1,333)	–
Share of net loss of associates		(347,237)	–
Loss on ordinary activities before tax		(13,795,906)	(5,331,479)
Taxation	8	222,356	103,315
Retained loss for the year		(13,573,550)	(5,228,164)
Loss and total comprehensive income for the period		(13,573,550)	(5,228,164)
Earnings per share	19	(0.06)	(0.03)

The notes on pages 35 to 60 form an integral part of these financial statements.

Financial Statements

Group Statement of Comprehensive Income

for the year ended 30 June 2018

	Note	1 July 2017 to 30 June 2018 £	1 July 2016 to 30 June 2017 £
Loss for the period		(13,573,550)	(5,228,164)
Other comprehensive income			
<i>Items that will be reclassified to profit or loss</i>			
Changes in the fair value of derivatives recognised at fair value	17	108,421	–
<i>Items that will not be reclassified to profit or loss</i>			
Foreign exchange loss on retranslation of foreign subsidiaries		(1,717)	–
Other comprehensive income for the period		106,704	–
Total comprehensive income for the period		(13,466,846)	(5,228,164)

The notes on pages 35 to 60 form an integral part of these financial statements.

Group Statement of Financial Position

for the year ended 30 June 2018

	Note	30 June 2018 £	30 June 2017 £
NON CURRENT ASSETS			
Property, plant and equipment	9	758,861	875,892
Goodwill	11	2,544,525	–
Intangible fixed assets	10	2,070,156	73,391
Investment in Associate	13	264,464	50,000
		5,638,006	999,283
CURRENT ASSETS			
Trade and other receivables	14	2,159,869	1,660,477
Cash and cash equivalents	15	3,679,288	4,519,024
Current tax assets	26	153,000	–
		5,992,157	6,179,501
TOTAL ASSETS		11,630,163	7,178,784
EQUITY AND LIABILITIES			
Equity			
Ordinary shares	18	286,348	188,664
Share premium account		31,565,734	15,254,085
Other reserves		585,539	154,217
Retained earnings		(23,628,965)	(10,163,836)
TOTAL EQUITY		8,808,656	5,433,130
NON-CURRENT LIABILITIES			
Deferred tax liabilities	26	366,245	–
		366,245	–
CURRENT LIABILITIES			
Trade and other payables	16	2,238,420	1,745,654
Derivative Financial Instruments	17	216,842	–
TOTAL LIABILITIES		2,821,507	1,745,654
TOTAL EQUITY AND LIABILITIES		11,630,163	7,178,784

The notes on pages 35 to 60 form an integral part of these financial statements.

Financial Statements

Company Statement of Financial Position

for the year ended 30 June 2018

	Note	30 June 2018 £	30 June 2017 £
NON CURRENT ASSETS			
Property, plant and equipment	9	739,855	875,892
Investment in Subsidiaries	12	4,466,134	–
Intangible fixed assets	10	23,807	73,391
Investment in Associate	13	264,464	50,000
		5,494,260	999,283
CURRENT ASSETS			
Trade and other receivables	14	2,584,689	1,660,477
Cash and cash equivalents	15	3,563,217	4,519,024
Current tax assets	26	153,000	–
		6,300,906	6,179,501
TOTAL ASSETS		11,795,166	7,178,784
EQUITY AND LIABILITIES			
Equity			
Ordinary shares	18	286,348	188,664
Share premium account		31,565,734	15,254,085
Other reserves		587,257	154,217
Retained earnings		(23,028,794)	(10,163,836)
Total equity		9,410,545	5,433,130
Current liabilities			
Trade and other payables	16	2,167,778	1,745,654
Derivative financial instruments	17	216,843	–
TOTAL LIABILITIES		2,384,621	1,745,654
TOTAL EQUITY AND LIABILITIES		11,795,166	7,178,784

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The parent company's loss for the year amounts to £12,864,958 (2017: loss of £5,228,164).

Signed on behalf of the board on 26 November 2018:

Garry Cook
Chief Executive

Jonathan Hall
Chief Financial Director

The notes on pages 35 to 60 form an integral part of these financial statements.

Group Statement of Changes in Equity

for the year ended 30 June 2018

	Ordinary shares £	Share premium £	Share option reserve £	Retained earnings £	Forex £	Total equity £
At 30 June 2016	83,414	5,640,233	55,458	(4,935,672)	–	843,433
Loss for the period	–	–	–	(5,228,164)	–	(5,228,164)
Total comprehensive income	–	–	–	(5,228,164)	–	(5,228,164)
Proceeds of Shares Issued	105,250	9,844,730	–	–	–	9,949,980
Share issue costs	–	(230,878)	–	–	–	(230,878)
Share options expensed	–	–	98,759	–	–	98,759
Total transactions with owners, recognised directly in equity	105,250	9,613,852	98,759	–	–	9,817,861
At 30 June 2017	188,664	15,254,085	154,217	(10,163,836)	–	5,433,130
Loss for the period	–	–	–	(13,573,550)	–	(13,573,550)
Other comprehensive income	–	–	–	108,421	(1,717)	106,704
Total comprehensive income	–	–	–	(13,465,129)	(1,717)	(13,466,846)
Reduction in Capital	–	–	–	–	–	–
Proceeds of Shares Issued	81,763	13,618,704	–	–	–	13,700,466
Shares as Consideration	15,921	3,050,663	–	–	–	3,066,584
Share issue costs	–	(357,717)	–	–	–	(357,717)
Share options expensed	–	–	433,039	–	–	433,039
Foreign exchange on retranslation of foreign subsidiaries	–	–	–	–	–	–
Total transactions with owners, recognised directly in equity	97,685	16,311,649	433,039	–	–	16,842,372
At 30 June 2018	286,348	31,565,734	587,256	(23,628,965)	(1,717)	8,808,656

The notes on pages 35 to 60 form an integral part of these financial statements.

Financial Statements

Company Statement of Changes in Equity

for the year ended 30 June 2018

	Ordinary shares £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
At 30 June 2016	83,414	5,640,233	55,458	(4,935,672)	843,433
Loss for the period	–	–	–	(5,228,164)	(5,228,164)
Total comprehensive income	–	–	–	(5,228,164)	(5,228,164)
Proceeds of Shares Issued	105,250	9,844,730	–	–	9,949,980
Share issue costs	–	(230,878)	–	–	(230,878)
Share options expensed	–	–	(98,759)	–	98,759
Total transactions with owners, recognised directly in equity	105,250	9,613,852	98,759	–	9,817,861
At 30 June 2017	188,664	15,254,085	154,217	(10,163,836)	5,433,130
Loss for the period	–	–	–	(12,973,379)	(12,973,379)
Other comprehensive income	–	–	–	108,421	108,421
Total comprehensive income	–	–	–	(12,864,958)	(12,864,958)
Proceeds of Shares Issued	81,763	13,618,703	–	–	13,700,466
Shares as Consideration	15,921	3,050,663	–	–	3,066,584
Share issue costs	–	(357,717)	–	–	(357,717)
Share options expensed	–	–	433,039	–	433,039
Total transactions with owners, recognised directly in equity	97,684	16,311,649	433,039	–	16,842,372
At 30 June 2018	286,348	31,565,734	587,256	(23,028,794)	9,410,544

The notes on pages 35 to 60 form an integral part of these financial statements.

Group Statement of Cash Flows

for the year ended 30 June 2018

	Note	30 June 2018 £	30 June 2017 £
Cash flow used in operating activities			
Net cash used in operating activities	23	(12,505,936)	(5,435,353)
Cash flow from/(used in) investing activities			
Interest received	7	1,432	4,564
Additions to property, plant and equipment	9	(312,342)	(599,692)
Acquisition of subsidiaries, net of cash acquired		(1,049,924)	–
Investment in Associate		(315,713)	–
Net cash used in investing activities		(1,676,547)	(595,128)
Cash flow from/(used in) financing activities			
Issue of equity share capital		13,700,466	9,949,980
Share Issue Costs		(357,717)	(230,878)
Net cash from financing activities		13,342,749	9,719,102
Net increase in cash and cash equivalents		(839,736)	3,688,621
Opening cash and cash equivalents		4,519,024	830,403
Closing cash and cash equivalents		3,679,288	4,519,024

The notes on pages 35 to 60 form an integral part of these financial statements.

Financial Statements

Company Statement of Cash Flows

for the year ended 30 June 2018

	Note	30 June 2018 £	30 June 2017 £
Cash flow used in operating activities			
Net cash used in operating activities	23	(11,928,671)	(5,435,353)
Cash flow from/(used in) investing activities			
Interest received	7	1,432	4,564
Additions to property, plant and equipment	9	(298,059)	(599,692)
Acquisition of subsidiaries, net of cash acquired		(1,066,500)	–
Investment in Associate		(315,713)	–
Inter-company loans		(691,046)	–
Net cash used in investing activities		(2,369,886)	(595,128)
Cash flow from/(used in) financing activities			
Issue of equity share capital		13,700,466	9,949,980
Share Issue Costs		(357,717)	(230,878)
Net cash from financing activities		13,342,749	9,719,102
Net increase in cash and cash equivalents		(955,808)	3,688,621
Opening cash and cash equivalents		4,519,024	830,403
Closing cash and cash equivalents		3,563,216	4,519,024

The notes on pages 35 to 60 form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 30 June 2018

1. GENERAL INFORMATION

Gfinity plc ("the Company") is a public company limited by shares incorporated in the United Kingdom under the Companies Act 2006, registered in England and Wales and is AIM listed. The address of the registered office is given on page 2. The registered number of the company is 08232509.

The principal activity of the Company and its subsidiaries ("the Group") and the nature of the Group's operations are set out in the Directors Report on page 26.

The functional and presentational currency is £ sterling because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the policies set out in note 2.

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 2017, 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, except for Share Based Payments which are accounted for at fair value. 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.

Interpretations and amendments to published standards effective in the accounts

For the purposes of the preparation of the accounts, the Group has applied all standards and interpretations that will be effective for the accounting periods commencing on or after 1 July 2017.

The following standards and interpretations have been adopted:

- Annual improvements 2014–2016 (effective for accounting periods beginning on or after 1 January 2017);
- IAS Amendments to IAS 7, 'Statement of cash flows' on disclosure initiative (effective for accounting periods beginning on or after 1 January 2017);
- Amendments to IAS 12, 'Income taxes' on recognition of deferred tax assets for unrealised losses (effective for accounting periods beginning on or after 1 January 2017);

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 July 2017 or later periods but which the Company has not adopted early are as follows:

- Amendments to IFRS 2, 'Share based payments', on clarifying how to account for certain types of share-based payment transactions (effective for accounting periods beginning on or after 1 January 2018);
- IFRS 9 'Financial instruments' (effective for accounting periods beginning on or after 1 January 2018);
- IFRS 15 'Revenue from contracts with customers' (effective for accounting periods beginning on or after 1 January 2018);
- IFRS 16 'Leases' (effective for accounting periods beginning on or after 1 January 2019);
- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for accounting periods beginning on or after 1 January 2018);

The notes on pages 35 to 60 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

2. ACCOUNTING POLICIES (*continued*)

- IFRIC 23, 'Uncertainty over income tax treatments' (effective for accounting periods beginning on or after 1 January 2019)

Management continues to monitor the IASB's on-going work on improvements to financial reporting but does not currently believe that the amendments and interpretations listed above will have a material effect on the Company's reported income or net assets.

Going concern

At the end of the period the Group had cash and cash equivalents amounting to £3,679,288 and the Company had cash and cash equivalents amounting to £3,563,217. On 23rd October 2018 the Group announced its intention to raise a further £6.0 million (prior to deduction of expenses) via a placing of shares on AIM. This placing was approved by shareholders on 8 November 2018, with shares being admitted to AIM and funds received by the Group on 9 November and 12 November respectively. The placing leaves the Group with a strong cash position from which to pursue its objectives. The oversubscribed nature of recent placings and continued strong shareholder support gives the Directors confidence over future as well as present cash reserves.

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

Basis of consolidation

The Group accounts consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 June each year. Subsidiary undertakings are those entities over which the Group has the ability to govern the financial and operating policies through the exercise of voting rights. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

All intra group balances, transactions, income and expenses and profit and losses on transactions between the Company and its subsidiaries and between subsidiaries are eliminated.

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ('CGUs') expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's interests in jointly controlled entities are incorporated in the financial information using the equity method of accounting. Investments in joint ventures are carried in the balance sheet at cost as adjusted by post acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of the individual investments. The Group's share of the net profit or loss of the joint venture is shown as a single line item in the Consolidated Statement of Comprehensive Income.

Where the Group transacts with a joint venture any profit or loss arising is eliminated to the extent of the Group's interest in the relevant joint venture.

The carrying amount of equity-accounted investments is tested for impairment at least annually.

The notes on pages 35 to 60 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

2. ACCOUNTING POLICIES (*continued*)**Investment in Subsidiaries**

Investments in subsidiaries are held in the Company balance sheet at cost and reviewed annually for impairment.

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 advance 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.

Revenue comprises of:

- Partner event fees: Revenue recognised in line with the date at which work is performed.
- 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.
- Broadcaster revenues: Rights fees are received from linear broadcasters and online streaming platforms in return for rights to access broadcast content. Revenue is recognised in line with the dates the content is created
- Website subscriptions: Revenue is invoiced in advance and deferred on a straight-line basis over the subscription period.

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.

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.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period. Exchange differences arising from the translation of the Group's foreign operations are recognised in other comprehensive income.

The notes on pages 35 to 60 form an integral part of these financial statements.

Financial Statements

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

2. ACCOUNTING POLICIES (*continued*)

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.

Share Based Payments

The Company provides equity-settled share-based payments in the form of share options. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the date of grant is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares which will eventually vest and adjusted for the effect of non-market based vesting conditions. The Company uses an appropriate valuation model utilising a Black-Scholes model in order to arrive at a fair value at the date share options are granted.

In instances when shares are used as consideration for goods or services the shares are valued at the fair value of the goods or services provided. The expense to the company is recognised at the point the goods or services are received.

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.

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	– 3 years straight line
Computer equipment	– 3 years straight line
Production equipment	– 3 years straight line
Leasehold improvements	– Over the period of the lease or, where management have reasonable grounds to believe the property will be occupied beyond the terms of the lease, 3 years straight line

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 other than goodwill 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.

The notes on pages 35 to 60 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

2. ACCOUNTING POLICIES (*continued*)

Intangible fixed assets are stated at historical cost less accumulated amortisation and impairment, if any. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Where the cost is not clearly identifiable discounted cash flows are utilised to estimate either the cost to develop the resource or, where there are already profits attributable to the asset, to estimate future cash inflows. 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
Web traffic acquired in business combination	– 3 years straight line
Technology Platform	– 5 years straight line
Customer Relationships	– 5 years

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 Group.

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.

Financial liabilities and equity

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.

An equity instrument is any contract that evidence a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

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.

Derivative Financial Instruments

Derivative financial assets and financial liabilities are recognised on the Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. Derivatives are initially recorded at fair value and are subsequently remeasured to fair value based on mid-market prices, estimated future cash flows and forward rates as appropriate.

The notes on pages 35 to 60 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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.

Revenue recognition:

The Group's revenue recognition policy is based on separating contracts into discrete performance obligations with revenue then recognised based on the percentage completion of each one. Where the value of each distinct performance obligation is not set out in a contract Management estimate the value of each performance obligation based on what are deemed to be appropriate criteria. For example if a contract did not stipulate the value by region of a broadcast agreement management would use appropriate weighting (e.g. audience size) to estimate the value of each region, with each region viewed as a separate performance obligation. Revenue would then be recognised based on the percentage completion of each performance obligation. In instances where there is no other readily available proxy Management will estimate the value of each performance obligation based on the relative cost to deliver.

Revenue settled by means other than cash (e.g. via equity in a associate) is recognised based on the value stipulated in the contract for goods or services, which would be deemed to be set at fair value, with the revenue then recognised based performance obligations in the manner described above.

Intangible assets recognised on business combinations:

Intangible assets in business combinations are recognised when the asset is separately identifiable and based on the probable future economic benefit that arises owing to the Group's control of the asset. Typically, the Group will utilise a discounted cash flow to establish the future economic benefits and therefore the fair value of the asset.

The Group have identified three intangible assets in relation to the two acquisitions undertaken in the year:

Cevo customer relationships: CEVO's customer relationships have been valued based on the revenue less associated costs over a five year period. The cash flow has then been discounted at a rate of 13%. Discount rate has been calculated using the Capital Asset Pricing model with reference to the value of UK 10 year gilts as a proxy for a risk free rate and the volatility of Gfinity's share price relative to that of AIM since listing.

Revenues have been calculated based on the assumed number of hours of development time for each client and CEVO's chargeable rate per hour. Costs have been derived based on the number of employees required to fulfil each contract, with salaries to support headcount growth based on market rates, along with estimates of associated technology costs. The valuation is sensitive to changes in the chargeable hour rate, which is assumed to grow at a compound annual growth rate ("CAGR") of 15%, the number of chargeable hours and changes in salary costs for developers over the next five years. If billable rates remain flat over the next five years the value of the asset would reduce by £0.6m.

Cevo gaming platform: The gaming platform has been valued based on a discounted cash flow using the same cost of capital as the customer relationship. Revenue has been based on licencing the software, tournament admission fees and subscriptions. The values have been established with reference to the 18 months prior to acquisition with the six monthly average annualised. The costs associated with the platform have been based on prize money, staff time and server costs. The value is assumed to decline by 20% per annum over a five year period with the platform assumed to then be completely replaced. If the useful economic life was reduced to 3 years then the value would reduce by £0.1m.

Real Sport web traffic: Real Sport are in a pre-revenue phase therefore the intangible assets have been valued based on the estimated cost to acquire their organic traffic. The value of traffic was established based on the cost per click ("CPC") of the key words that had driven users to the site and the web traffic in the quarter prior to acquisition. It was then assumed that any paid traffic would be subject to a 40% rate of cannibalisation of organic traffic. This was then valued over a three year period with an assumed rate of decline of 33% per annum. The rate of decline was chosen to reflect potential changes in search algorithms.

The notes on pages 35 to 60 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (*continued*)*Impairment testing:*

The Group tests goodwill for impairment annually. The recoverable amounts of cash generating units have been determined based on value-in-use calculations which require the use of estimates. Management has prepared discounted cash flows based on the latest strategic plan.

Goodwill carried in relation to Cevo: The key assumptions in evaluating whether there was any impairment of the goodwill in relation to CEVO was the discount factor (13%) which was calculated in the manner outlined above and the volume of development work to be undertaken on behalf of the group. This was then compared against the cost to fulfil this work by paying a third party with the subsequent cost savings being a key determinant in whether there was any evidence of impairment. This was then evaluated over a ten year period using a discounted cash flow.

The third party cost for work was determined with reference to CEVO's own charge out rates and the volume of work to be undertaken was based on Management's estimates. This indicated a value of £6.1m higher than the carrying value of goodwill in relation to CEVO. Reducing development time by 10% has an impact of £0.6m.

Goodwill carried in relation to Real Sport: The key assumptions in evaluating whether there was any impairment of the goodwill in relation to Real Sport was the discount factor (13%) which was calculated in the manner outlined above, the prospective growth in users (13% CAGR, per Newzoo the esports industry grew 38% from 2017 to 2018) and execution of traffic monetisation strategies. Key costs related to content creation, staff, marketing and traffic acquisition. Where possible all assumptions in relation to revenue generating activities have been benchmarked based on desk based research however given the nascent esports industry is still testing various monetisation strategies many assumptions have been based on publicly available information for other online media and entertainment forums.

Based on the above the value of Real Sports was £8.1m higher than the carrying value. Reducing the CAGR for traffic growth by 5% has an impact of £7.5m, £0.6m higher than the carrying value of goodwill.

Valuation of investments:

Investments held in the company statement of financial position have been tested in line with the goodwill impairments described above.

Deferred tax:

The Company has not recognised a deferred tax asset in respect of its 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 8(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 20 on Share Based Payments. In addition the company has issued share options as partial consideration for services provided. The cost of these has been recognised based on the timing of the delivery of the service and the fair value.

Financial Statements

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

4 SEGMENTAL INFORMATION

The Group manage the business based on two segments: Gfinity and CEVO. The two reportable segments operate as follows:

Gfinity: This segment is the largest part of the business and encompasses the majority of esports related activities and broadcast and production capabilities.

CEVO: The in-house development capabilities which are key to delivering both Gfinity PLC's strategy and online esports solutions for third parties. This segment also includes several US based technology revenue streams

	30-Jun-18			30-Jun-17
	Gfinity	Cevo	Group	Gfinity
Revenue	3,682,087	635,238	4,317,325	2,372,452
Loss	(13,420,753)	(152,797)	(13,573,550)	(5,228,164)

Gfinity principally operate in the UK and CEVO principally in the US. CEVO were purchased during the year ending June 2018 and there is therefore no comparative information

Segmental information for the statement of financial position has not been presented as management do not view this information on a segmental basis. Intra-group recharges are not considered when monitoring performance with central charges (such as senior management costs) retained in Gfinity PLC rather than being apportioned across segments.

5. OPERATING EXPENSES

Operating loss is stated after charging:

	Group	
	Year ended 30 June 2018	Year ended 30 June 2017
	£	£
Loss on disposal of property, plant and equipment	–	72,909
Depreciation of property, plant and equipment	442,221	199,338
Amortisation of intangible fixed assets	418,797	49,583
Rentals under operating leases – land and buildings	609,373	391,376
Expensed development costs	190,517	184,414
Staff costs (see note 6)	4,567,202	1,723,884
Costs of inventories expensed	1,308	9,707
Auditors' remuneration for auditing the accounts of the company	21,000	16,000
Auditors' remuneration for other non-audit services:		
– Other services supplied pursuant to such legislation	–	–
– Other services related to taxation	1,500	1,500
– All other services	8,250	6,000
Net foreign exchange (gains)/ losses	(11,571)	16,006

The notes on pages 35 to 60 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

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

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

Group		Company	
Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2018	Year ended 30 June 2017
£	£	£	£
61	31	58	31

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

	Group		Company	
	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2018	Year ended 30 June 2017
	£	£	£	£
Wages and salaries	3,775,231	1,469,465	3,400,923	1,469,465
Social security costs	380,569	155,660	351,450	155,660
Pensions	22,769	–	21,642	–
Equity settled	388,633	98,759	388,633	98,759
	4,567,202	1,723,884	4,162,648	1,723,884

Total remuneration for Directors during the year was £528,504 (2017: £375,925). Full detail on Directors earnings can be found within the Directors' Remuneration Report, on pages 22 to 25.

The board of directors comprise the only persons having authority and responsibility for planning, directing and controlling the activities of the Group.

7. FINANCE INCOME/COSTS

	Group	
	Year ended 30 June 2018	Year ended 30 June 2017
	£	£
Interest income on bank deposits	1,432	4,564
Interest cost	(1,333)	–
	99	4,564

The notes on pages 35 to 60 form an integral part of these financial statements.

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Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

8. TAXATION

(a) (a) Major components of taxation expense for the period ended 30 June 2018 are:

	Group	
	Year ended 30 June 2018	Year ended 30 June 2017
	£	£
Income statement		
<i>Current tax</i>		
Corporation tax charge / (credit)	(153,000)	(103,315)
Total current tax	(153,000)	(103,315)
<i>Deferred tax</i>		
Relating to origination and reversal of temporary differences	(69,356)	–
Taxation charge / (credit) reported in the income statement	(222,356)	(103,315)

(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 19% (2017: 19.75%), to taxation expense at the Company's effective tax rate for the period is as follows:

	Group	
	Year ended 30 June 2018	Year ended 30 June 2017
	£	
Loss on ordinary activities before taxation	(13,795,906)	(5,331,479)
At UK corporation tax rate of 19% (2017: 19.75%)	(2,621,222)	(1,066,296)
Expenses not deductible for tax purposes	103,345	29,928
Capital allowances for period in excess of depreciation	10,644	(2,620)
Adjustment in respect of previous periods	(153,000)	(103,315)
Unrelieved tax losses carried forward	2,437,877	1,038,988
Current tax charge/ (credit) for the period	(222,356)	(103,315)

(c) Unrecognised deferred tax asset

The Company has an unrecognised deferred tax asset arising from trading losses carried forward of £4,666,946 (2017: £2,449,025) calculated at the substantively enacted Corporation tax rate at the balance sheet date of 19% (2017: 19%). 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 35 to 60 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

9. PROPERTY PLANT AND EQUIPMENT

Group Property Plant and Equipment

	Office equipment £	Computer & production equipment £	Leasehold Improvement £	Total £
Cost				
At 1 July 2016	4,479	304,515	174,166	483,160
Additions	3,468	441,898	408,555	853,921
Disposals	–	–	(199,270)	(199,270)
At 30 June 2017	7,947	746,413	383,451	1,137,811
Depreciation				
At 1 July 2016	4,479	100,618	83,844	188,941
Charge for the period	124	137,490	61,725	199,338
Disposals	–	–	(126,361)	(126,361)
At 30 June 2017	4,603	238,108	19,208	261,918
Net book value				
At 30 June 2017	3,343	508,306	364,243	875,892
At 30 June 2016	–	203,897	90,322	294,219
	Office equipment £	Computer & production equipment £	Leasehold Improvement £	Total £
Cost				
At 1 July 2017	7,947	746,413	383,451	1,137,811
Additions	14,036	107,249	203,905	325,190
Disposals	–	–	–	–
At 30 June 2018	21,983	853,662	587,355	1,463,000
Depreciation				
At 1 July 2017	4,603	238,108	19,208	261,918
Charge for the period	4,927	264,093	173,202	442,221
Disposals	–	–	–	–
At 30 June 2018	9,530	502,201	192,409	704,140
Net book value				
At 30 June 2018	12,453	351,461	394,946	758,861
At 30 June 2017	3,343	508,306	364,243	875,892

The notes on pages 35 to 60 form an integral part of these financial statements.

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Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

9. PROPERTY PLANT AND EQUIPMENT (*continued*)

Company Property, Plant and Equipment

	Office equipment £	Computer & production equipment £	Leasehold Improvement £	Total £
Cost				
At 1 July 2016	4,479	304,515	174,166	483,160
Additions	3,468	441,898	408,555	853,921
Disposals	–	–	(199,270)	(199,270)
At 30 June 2017	7,947	746,413	383,451	1,137,811
Depreciation				
At 1 July 2016	4,479	100,618	83,844	188,941
Charge for the period	124	137,490	61,725	199,338
Disposals	–	–	(126,361)	(126,361)
At 30 June 2017	4,603	238,108	19,208	261,918
Net book value				
At 30 June 2017	3,343	508,306	364,243	875,892
At 30 June 2016	–	203,897	90,322	294,219
	Office equipment £	Computer & production equipment £	Leasehold Improvement £	Total £
Cost				
At 1 July 2017	7,947	746,413	383,451	1,137,811
Additions	5,070	89,085	203,904	298,059
Disposals	–	–	–	–
At 30 June 2018	13,017	835,498	587,355	1,435,870
Depreciation				
At 1 July 2017	4,603	238,108	19,208	261,918
Charge for the period	2,365	258,531	173,202	434,097
Disposals	–	–	–	–
At 30 June 2018	6,048	338,860	394,946	739,854
Net book value				
At 30 June 2018	6,048	338,860	394,946	739,854
At 30 June 2017	3,343	508,306	364,243	875,892

The notes on pages 35 to 60 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

10. INTANGIBLE FIXED ASSETS**Group Intangible Fixed Assets**

	Customer Relationship £	Real Sport Web Platform £	Gaming Platform £	Software Development £	Total £
Cost					
At 1 July 2016	–	–	–	148,750	148,750
Additions	–	–	–	–	–
At 30 June 2017	–	–	–	148,750	148,750
Amortisation					
At 1 July 2016	–	–	–	25,776	25,776
Charge for the period	–	–	–	49,583	49,583
At 30 June 2017	–	–	–	75,359	75,359
Net book value					
At 30 June 2017	–	–	–	73,391	73,391
At 30 June 2016	–	–	–	122,974	122,974
	Customer Relationship £	Real Sport Web Platform £	Cevo Gaming Platform £	Software Development £	Total £
Cost					
At 1 July 2017	–	–	–	148,750	148,750
Additions	1,198,661	935,518	281,383	–	2,415,562
At 30 June 2018	1,198,661	935,518	281,383	148,750	2,564,312
Amortisation					
At 1 July 2017	–	–	–	75,359	75,359
Charge for the period	223,969	92,524	52,721	49,583	418,797
At 30 June 2018	223,969	92,524	52,721	124,943	494,156
Net book value					
At 30 June 2018	974,692	842,994	228,663	23,807	2,070,156
At 30 June 2017	–	–	–	73,391	73,391

The notes on pages 35 to 60 form an integral part of these financial statements.

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Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

10. INTANGIBLE FIXED ASSETS (*continued*)

Company Intangible Fixed Assets

	Software Development £	Total £
Cost		
At 1 July 2016	148,750	148,750
Additions	–	–
At 30 June 2017	148,750	148,750
Amortisation		
At 1 July 2016	25,776	25,776
Charge for the period	49,583	49,583
At 30 June 2017	75,359	75,359
Net book value		
At 30 June 2017	73,391	73,391
At 30 June 2016	122,974	122,974
	Software Development £	Total £
Cost		
At 1 July 2017	148,750	148,750
Additions	0	0
At 30 June 2018	148,750	148,750
Amortisation		
At 1 July 2017	75,359	75,359
Charge for the period	49,583	49,583
At 30 June 2018	124,943	124,943
Net book value		
At 30 June 2018	23,807	23,807
At 30 June 2017	73,391	73,391

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

The notes on pages 35 to 60 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

11. GOODWILL**Group**

	Goodwill £	Total £
Cost		
At 1 July 2017	–	–
Additions	2,544,526	2,544,526
At 30 June 2018	2,544,526	2,544,526
Amortisation		
At 1 July 2017	–	–
Charge for the period	–	–
At 30 June 2018	–	–
Net book value		
At 30 June 2018	2,544,526	2,544,526
At 30 June 2017	–	–

The goodwill has arisen on the acquisitions of 100% of the share capital of CEVO Inc. and RealSM Ltd in the year. The net assets acquired and the consideration paid are outlined in note 25 on business combinations. The goodwill arising on the business combinations has been tested for impairment based on the methods outlined in note 3 on accounting estimates and judgements. In both instances the test indicated there was no impairment of the goodwill.

12. INVESTMENT IN SUBSIDIARIES

	Company 30 June 2018 £	30 June 2017 £
At 1 July	–	–
Investment in subsidiary	4,466,134	–
At 30 June	4,466,134	–

The investments in subsidiaries represent the purchase of CEVO and Real Sport on 24 July 2017 and 13 March 2018 respectively. The fair value of consideration at acquisition for CEVO was £2,158,498 for 100% of the share capital and the fair value at acquisition of Real Sport was £2,307,634 for 100% of the share capital. Both investments are held in Gfinity PLC.

Subsidiary undertaking	Country of incorporation	Holding	Proportion of voting rights and capital held	Nature of business
Cevo LLC	USA	Ordinary shares	100%	IT Development and Tournament and event operator
RealSM Ltd	England	Ordinary shares	100%	Online media
Excel Interactive Limited	England	Ordinary shares	100%	Sports Club

The notes on pages 35 to 60 form an integral part of these financial statements.

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Notes to the Financial Statements *(continued)*

for the year ended 30 June 2018

13. INVESTMENT IN ASSOCIATES

	Group		Company	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	£	£	£	£
At 1 July	50,000	–	50,000	–
Investment in associate	561,701	50,000	561,701	50,000
Share of Profits/(losses)	(347,237)	–	(347,237)	–
At 30 June	264,464	50,000	264,464	50,000

The investment in associate relates to the acquisition of 33% of the eSports Industry Award Limited on its incorporation in February 2017 and 30% of Gfinity Australia on its incorporation in August 2017. Both investments are held in Gfinity PLC

Subsidiary undertaking	Country of incorporation	Holding	Proportion of voting rights and capital held	Nature of business
Esports Industry Awards Ltd	England	Ordinary shares	33%	Dormant
Gfinity Esports Australia PTY Limited	Australia	Ordinary shares	30%	Tournament and event operator

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	£	£	£	£
Trade receivables	1,504,006	702,432	1,389,124	702,432
Provision for doubtful debts	(219,658)	(94,658)	(219,658)	(94,658)
	1,284,348	607,774	1,169,466	607,774
Other receivables	227,165	422,266	228,045	422,266
Amounts due from group undertakings	–	–	610,757	–
Amounts due from related undertakings	128,692	–	128,692	–
Prepayments and accrued income	519,664	630,437	447,729	630,437
	2,159,869	1,660,477	2,584,689	1,660,477

Included in other receivables is £17,660 (2017: £33,800) which is due in more than one year.

The directors consider that the carrying amount of trade and other receivables approximates to their fair value due to the short term nature of these financial assets.

The notes on pages 35 to 60 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	£	£	£	£
Cash at bank and in hand	3,629,182	428,998	3,513,111	428,998
Short term deposits	50,106	4,090,026	50,106	4,090,026
	<u>3,679,288</u>	<u>4,519,024</u>	<u>3,563,217</u>	<u>4,519,024</u>

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.

16. TRADE AND OTHER PAYABLES

	Group		Company	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	£	£	£	£
Trade payables	666,337	1,189,995	621,879	1,189,995
Other taxation and social security	184,688	102,132	158,506	102,132
Accrued expenditure and deferred revenue	1,387,395	453,527	1,387,393	453,527
	<u>2,238,420</u>	<u>1,745,654</u>	<u>2,167,778</u>	<u>1,745,654</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 due to their short-term nature.

17. DERIVATIVE FINANCIAL INSTRUMENTS

	Group & Company	
	30 June 2018	30 June 2017
	£	£
Derivative financial liabilities		
Deferred shares	216,843	–

Deferred shares relate to the acquisition of CEVO Inc.. These are payable in full as the metrics for the payment of all deferred consideration have been achieved however the shares had not been issued at year end.

The value of the shares at acquisition was £325,264 with the change in value between acquisition and year end (£108,421) recognised in other comprehensive income

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Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

18. ISSUED CAPITAL

The Company has a single class of ordinary share with nominal value of £0.001 each. Movements in the issued share capital of the Company can be summarised as follows:

<i>Issued and fully paid</i>	Number	£
As at 30 June 2016	83,413,570	83,414
Issued on 21st July 2016 at £0.05 per share	74,000,000	74,000
Issued on 16th May 2017 at £0.20 per share	31,250,000	31,250
As at 30 June 2017	188,663,570	188,664
Issued on 24 July at £0.21	3,614,049	3,614
Issued 11 October 2017 at £0.27	25,925,926	25,926
Issued 13 March 2018 at 0.1875	12,307,382	12,307
Issued 28 March 2018 at £0.12	55,837,283	55,837
As at 30 June 2018	286,348,210	286,348

19. 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.

	Group		Company	
	Year to 30 June 2018 £	Year to 30 June 2017 £	Year to 30 June 2018 £	Year to 30 June 2017 £
Loss attributable to shareholders	(13,466,846)	(5,228,164)	(12,863,650)	(5,228,164)
	Number 000's	Number 000's	Number 000's	Number 000's
Weighted average number of ordinary shares	228,815	157,211	228,815	157,211
	£	£	£	£
Loss per ordinary share	(0.06)	(0.03)	(0.06)	(0.03)

The notes on pages 35 to 60 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

20. SHARE BASED PAYMENTS**Equity-settled share option plans***Options*

The Company has a share option scheme for all employees of the Group.

The tables below summarises the exercise terms of the various options over Ordinary shares of £0.001 each which had been granted, and were still outstanding, as at 30 June 2018. A total of 14,467,440 were granted in the year with 6,967,440 being granted to employees and contractors as part of a long term incentive plan (LTIP) and 7,500,000 granted as partial consideration for services provided. No options were exercised during the year and 335,714 lapsed due to members of staff leaving. The total number of outstanding options in issue at 30 June 2018 is 36,898,437 (2017: 22,766,711).

	Number	Weighted average exercise price (£)
<i>LTIP options</i>		
Shares Options as at 30 June 2016	4,821,041	0.1345
Shares Options Granted	17,945,670	0.1450
Share Options Forfeited	–	–
LTIP Share Options as at 30 June 2017	22,766,711	0.1428

*Options as Consideration***Non-market condition shares**

	Number	Weighted average exercise price (£)
<i>LTIP options</i>		
Shares Options as at 30 June 2017	22,766,711	0.1428
Shares Options Granted	6,967,440	0.1964
Share Options Forfeited	(335,714)	(0.1962)
LTIP Share Options as at 30 June 2018	29,398,437	0.1549

*Options for non-employee services***Non-market condition shares**

	Number	Weighted average exercise price (£)
Shares Options as at 30 June 2017	–	–
Shares Options Granted	7,500,000	n/a
Share Options Lapsed	–	–
Share Options as at 30 June 2017	7,500,000	n/a

Options vest over periods defined in the respective option agreements and at the discretion of the board of directors. 8,485,327 options vested during the year.

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Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

20. SHARE BASED PAYMENTS (*continued*)

Of the options outstanding 12,429,241 (2017: 10,984,241) 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 LTIP share options issued for compliance with IFRS 2 "Share Based Payments" are included below, where applicable.

	Year ended 30 June 2018	Year ended 30 June 2017
Weighted average exercise price	£0.1549	£0.1428
Average expected life	1.8 years	1.9 years
Expected volatility of options granted in year	111.11%	29.68%
Risk free rate	1.14%	1.22%
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 LTIP options outstanding at 30 June 2018 was £0.1549 (2017: £0.1428). The weighted average fair value of options issued during the period was £0.1119 (2017: £0.0300).

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.

The fair value of the non-employee services options has been based on the fair value of the services provided at the date the services were provided. This equates to a fair value of options issued in the year £0.0111 (2017: n/a).

All options are held in Gfinity PLC with no options held over any of the subsidiaries

21. RELATED PARTY TRANSACTIONS

The Directors Remuneration Report provides details of share options issued to certain directors in the period. Further information on share options are provided in Note 20.

Transactions with Group subsidiaries in the year were inter-company loans from Gfinity to CEVO (£236,274), Real Sport (£347,843) and Excel Interactive Limited (£80,289). The loan to Excel Interactive Limited was written off in full in the year. In addition, CEVO and Gfinity undertook transactions with a value of £18,989.

Transactions with associates in the year were £90,000 of revenue from the Esports Industry Awards and £269,893 with Gfinity Australia. These were billable activities based on market rates for delivering the services. At year end £90,000 remained outstanding from the Esports Industry Awards and £20,034 was outstanding from Gfinity Australia. £246,550 of the revenue from Gfinity Australia was settled via equity.

22. COMMITMENTS UNDER NON-CANCELLABLE OPERATING LEASES

The Group and Company have the following total commitments under non-cancellable operating leases expiring as follows:

	Land and buildings			
	Group		Company	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	£	£	£	£
Less than one year	372,600	279,150	372,600	279,150
Total	372,600	279,150	372,600	279,150

The notes on pages 35 to 60 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

23. NOTES TO THE CASH FLOW STATEMENT

	Group		Company	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Cash flows from operating activities				
Loss before taxation	(13,795,906)	(5,331,479)	(13,126,379)	(5,331,479)
<i>Adjustments for:</i>				
Depreciation of property, plant and equipment	442,221	199,338	434,097	199,338
Disposal of fixed assets	–	72,910	–	72,910
Amortisation of intangible fixed assets	418,797	49,583	49,583	49,583
Interest Received	(1,432)	(4,564)	(1,432)	(4,564)
Share based payments	433,039	98,759	433,039	98,759
Share of Associate Losses	347,237	–	347,237	–
Revenue Settled Via Equity	(246,550)	–	(246,550)	–
Bad Debt Charge	125,191	–	207,198	–
<i>Changes in working capital:</i>				
Decrease/(Increase) in Inventories	–	9,707	–	9,707
(Increase)/ decrease in trade and other receivables	(624,724)	(1,221,207)	(543,679)	(1,221,207)
Increase in trade and other payables*	243,191	588,285	365,215	588,285
Corporation tax (paid)/ received	153,000	103,315	153,000	103,315
Cash used by operating activities	(12,505,936)	(5,435,353)	(11,928,671)	(5,435,353)
Interest paid	–	–	–	–
Net cash used by operating activities	(12,505,936)	(5,435,353)	(11,928,671)	(5,435,353)

*Note: The movement in trade and other payables for the period ending June 2017 excludes £254,229 of capital creditors and a fair value adjustment on deferred consideration of £7,786.

24. 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. All of the Company's financial instruments are measured at amortised cost

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.

Financial Statements

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (*continued*)

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

Group		Company	
30 June 2018	30 June 2017	30 June 2018	30 June 2017
£	£	£	£
1,292,320	635,824	1,788,425	635,824

The trade receivables balance represents amounts due from third parties. At the balance sheet date, the Group's trade receivables totalled £1,504,006 less a provision of £219,658 (2017: £702,342 less of a provision of £94,658). The Company's trade receivables include £610,757 of inter-company funding (2017: Enil). The Company's trade receivables totalled £1,389,124 less a provision for doubtful debt of £219,658 (2017: £702,342 less of a provision of £94,658).

There are no significant overdue but not impaired trade receivables at the balance sheet date. The Company balance sheet includes inter-company receivables which are not considered to be at risk as the Company retains control over the debtor however it is not anticipated that the Group companies will repay these amounts in the next 12 months.

At the balance sheet date amounts of £891,172 were due from two customers representing a concentration of credit risk. All amounts have been recovered since 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, owns an overseas subsidiary and reports in GBP. It is therefore subject to currency exposures on transactions while the Group is subject to currency exposures on consolidation of the overseas subsidiary.

Derivative Financial Instruments

The Group holds derivative financial instruments at their value with the gain or loss on remeasurement of fair value immediately in the statement of comprehensive income as outlined in Note 2. The only financial instruments held on the balance sheet related to deferred consideration for the purchase of CEVO with the liability to be settled via shares in Gfinity.

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

	Group					
	30 June 2018			30 June 2017		
	USD (\$)	AUSD (\$)	GBP (£)	USD (\$)	EUR (€)	GBP (£)
Trade and other receivables	901,508	35,393	1,262,719	1,151	1,316	1,027,573
Cash	377,085	–	3,380,358	87,937	–	4,431,687
Trade and other payables	(101,644)	(1,164)	(2,160,794)	(38,004)	(106,314)	(1,610,335)
Derivative Financial Instruments	–	–	(216,843)	–	–	–
Net Current Assets/ Liabilities	1,176,949	34,229	2,265,440	51,084	(104,998)	3,848,925

The notes on pages 35 to 60 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (*continued*)

	Company					
	30 June 2018			30 June 2017		
	USD (\$)	AUSD (\$)	GBP (£)	USD (\$)	EUR (€)	GBP (£)
Trade and other receivables	780,150	35,393	1,168,665	1,151	1,316	1,027,573
Cash	321,783	–	3,319,590	87,937	–	4,431,687
Trade and other payables	(68,424)	(1,164)	(2,115,304)	(38,004)	(106,314)	(1,610,335)
Derivative Financial Instruments	–	–	(216,843)	–	–	–
Net Current Assets/ Liabilities	1,033,509	34,229	2,156,108	51,084	(104,998)	3,848,925

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.

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.

25. BUSINESS COMBINATION**Acquisition of CEVO Inc**

On 24 July 2017 Gfinity PLC acquired 100% of the issued shares of CEVO, Inc ("CEVO"), a provider of technology and services to the global esports market for consideration of up to £2,158,498. CEVO's reputation as a provider of its own esports competitions and leading-edge technology further strengthens the Group's position as a leader in the esports sector while creating a platform for further expansion into the US market.

Financial Statements

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

25. BUSINESS COMBINATION (*continued*)**Purchase Consideration**

	£
Initial Consideration	
Cash in GBP (\$977,200 converted at \$1.30 to £1)	751,999
Shares (3,614,049 shares at £0.21)	758,950
Total Initial Consideration	1,510,949
Deferred Consideration	
Cash in GBP (\$418,800 converted at \$1.30 to £1)	322,285
Shares (1,548,877 at £0.21)	325,264
Total Deferred Consideration	647,549
Maximum Consideration Payable at Fair Value	2,158,498

Contingent consideration

Contingent consideration is payable based on CEVO's revenue exceeding \$800,000 in their financial year ending 31 December 2017. The amount payable is flexed based on amounts between \$800,000 and \$1,000,000 with contingent consideration payable in full if revenue exceeds \$1,000,000. CEVO achieved the targeted revenue and the cash consideration has been paid out in full with the shares being issued post year end.

Acquisition related costs

Acquisition related costs of £43,802 are included in administrative costs in the income statement for the year ending June 2018.

The fair values of the assets and liabilities of CEVO as at the date of acquisition are as follows:

	\$USD	GBP
Cash and cash equivalents	31,211	24,018
Receivables	96,341	74,139
Payables	(29,664)	(22,828)
Borrowings	(45,000)	(34,630)
Intangible assets: Customer Relationship	1,558,139	1,198,661
Intangible assets: Web Platform	365,795	281,383
Deferred tax liability	(342,868)	(263,765)
Net identifiable assets acquired	1,633,954	1,256,978
Add: Goodwill	1,172,093	901,520
Net assets acquired	2,806,047	2,158,498

The notes on pages 35 to 60 form an integral part of these financial statements.

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

25. BUSINESS COMBINATION (*continued*)

The goodwill that arises from the business combination reflects the profitability at acquisition of CEVO and the enhanced growth prospects and forecast future profitability of the Group. None of the goodwill is expected to be deductible for tax purposes.

In addition to the goodwill acquired there have been intangible assets recognised in relation to CEVO's gaming platform and customer relationships. Neither item was held on the balance sheet at acquisition with the costs of development had expensed to the income statement. Based on a three year discounted cash flow the platform has been valued at £281,383 with a discount rate of 12.7% being applied. The customer relationships have been valued at £1,198,661 based on a five year discounted cash flow.

CEVO's revenue post acquisition revenue was £635,238 with losses of £152,797.

Acquisition of Real Sport 101

On 13 March 2018 Gfinity PLC acquired 100% of the share capital of Real SM Ltd ("Real Sport"), the owner of the fan oriented digital media platform RealSport (realsport101.com). The driver of the acquisition was Real Sport's large and engaged community and content creation capabilities and their synergies with Gfinity's tournament operations and online gaming platform.

Purchase Consideration

Purchase consideration was 12,307,382 ordinary shares in the company. Based on the share price on the date of acquisition (£0.1875) the fair value of the consideration was £2,307,634.

Acquisition Related Costs

Acquisition related costs of £39,188 are included in administrative costs for both the Group and Company.

The fair value of the assets acquired as at 13 March was:

	GBP
Cash and cash equivalents	(2,448)
Receivables	9,000
Payables	(118,453)
Fixed Assets	12,847
Intangible assets: Web traffic	935,518
Deferred Tax Liability	(171,836)
Net identifiable assets acquired	664,628
Add: Goodwill	1,643,006
Net assets acquired	2,307,634

The goodwill that arises from the business combination reflects the future profitability of Real Sport and the enhanced growth prospects of the Group. None of the goodwill is expected to be deductible for tax purposes.

In addition to the goodwill acquired there has been an intangible asset recognised in relation to Real Sport's online traffic at a value of £935,518. This has been based on the estimated costs for Gfinity to acquire Real Sport's organic traffic.

Real Sport's post acquisition revenue was £5,700 and the losses were £193,827.

The revenue of the Group if both subsidiaries had been owned from the 1 July 2018 would be £4,399,671 and the losses would have been £13,903,487.

Financial Statements

Notes to the Financial Statements (*continued*)

for the year ended 30 June 2018

26. DEFERRED TAX

	Group	
	2018	2017
	£	£
At 1 July	–	–
Acquisition of subsidiary	(435,601)	–
Credited to profit or loss	69,356	–
At 30 June	(366,245)	–
The provision for deferred taxation is made up as follows:		
	2018	2017
	£	£
Temporary timing differences on intangible assets	366,245	–

The notes on pages 35 to 60 form an integral part of these financial statements.

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Notes

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