



**Gfinity plc**  
Annual Report &  
Financial Statements  
2019







# Contents



## STRATEGIC REPORT

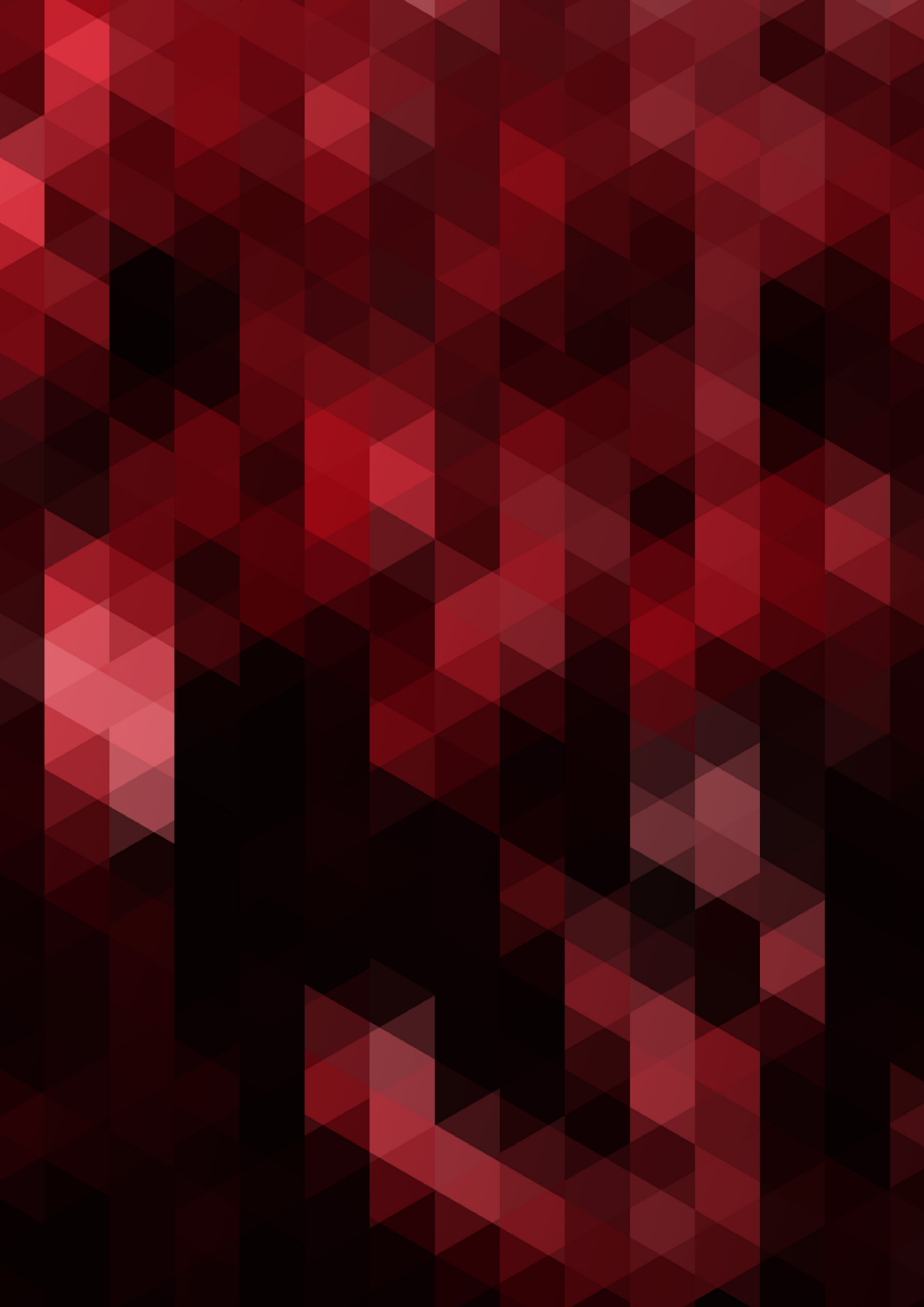
- 6 Directors, Secretary and Advisers
- 7 Period Highlights
- 8 Gfinity At A Glance
- 10 Executive Chairman's Report
- 14 Chief Financial Officer's Report
- 16 Principal Risks and Uncertainties

## GOVERNANCE

- 22 Corporate Governance Report
- 23 Board of Directors
- 24 Board Composition and Performance
- 26 Directors' Remuneration Report
- 29 Directors' Report
- 31 Statement of Directors' Responsibilities

## FINANCIAL STATEMENTS

- 34 Independent Auditor's Report
- 40 Group Statement of Profit and Loss
- 41 Group Statement of Comprehensive Income
- 42 Group Statement of Financial Position
- 43 Company Statement of Financial Position
- 44 Group Statement of Changes in Equity
- 46 Company Statement of Changes in Equity
- 48 Group Statement of Cash Flows
- 49 Company Statement of Cash Flows
- 50 Notes to the Financial Statements





Annual Report & Financial Statements 2019

# **STRATEGIC REPORT**

---

## STRATEGIC REPORT

# 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)

**John Clarke**

(Global Brand and Marcomms Officer)

**Preeti Mardia**

(Non-Executive Director)

**Andy MacLeod**

(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

### 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 Asset Services**

The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

### Financial Public Relations

**Teneo**

5th Floor, 6 More London Place  
London SE1 2DA

### Registered Number

**08232509**





## STRATEGIC REPORT

## Period Highlights

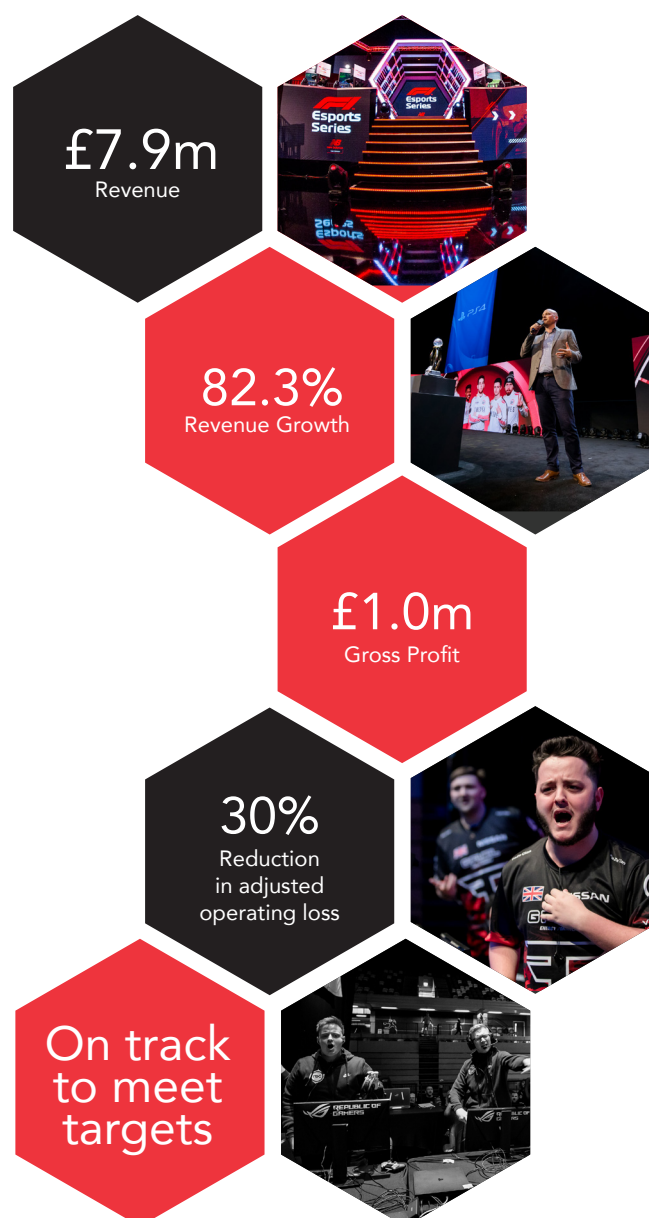
“Strong revenue growth driven by strategic partnerships and new account wins”

## Financial highlights

- Revenue growth of above 80% for the second consecutive year
- Gross profit of £1.0m (2018: loss of £3.4m), driven by strategic focus on delivery of higher margin esports solutions for key partners
- Demonstration of good operating leverage with opex relatively stable despite rapid growth in the business
- Reduction of 30% in adjusted operating loss<sup>1</sup> to £8.6m with further reductions expected in 2019/20 financial year
- Net cash of £0.6m at year end, supplemented by completion of £5.25m capital raise in July
- Robust pipeline of new opportunities
- On track to reach breakeven Adjusted EBITDA<sup>2</sup> target by 2021

## Business Highlights

- Refocused business on Strategic Client Management model
- Strengthened leadership team bringing expertise to maximise opportunities with all key stakeholder groups
- Continued growth in strategic partnerships with largest games publishers
  - Appointed by **Activision Blizzard** to host Call of Duty World League.
  - Hosted five events for **EA Sports** as part of the EA SPORTS FIFA 19 Global Series
  - Renewed partnership with **Formula 1** to deliver Season 3 of the F1 New Balance Esports Series
- Selected by new strategic partners cementing Gfinity's position as a leading provider of unique esports solutions
  - Appointed by the **Premier League** to become the Tournament Operator of the inaugural ePremier League
  - Selected by **TRUXTUN Capital** to be the primary consulting and programme management partner for the Esports Wega World Cup 2022.
  - HP's gaming brand **HP Omen** selected Gfinity as the production partner for esports show The Esports Report, Season 2
  - Engaged by **IndyCar** to provide strategic consultancy in development of esports



## Post-Period Highlights

- Continued selection of Gfinity by world's biggest brands to provide unique esports solutions
  - Selected to partner with **Amazon** to design, develop and deliver The Twitch Prime Crown Cup, a global celebrity gaming exhibition
  - Reappointed by the **Premier League** as Tournament Operator for the second ePL
  - Selected as production partner by **Formula 1** to create an online TV show “Making of an esports champion”
- Rapid growth of Gfinity's unique community organically reaching more than 20 million gamers, generating new recurring revenue streams
- Successful completion of £5.25m capital raise in July to fund future growth and strengthen commercial capabilities

<sup>1</sup> Adjusted operating loss is before interest, tax, depreciation, amortisation, impairment and the share-based payment expense.

<sup>2</sup> Adjusted EBITDA is earnings before interest, tax, depreciation, impairment, amortisation and the share-based payment expense.

## STRATEGIC REPORT

# Gfinity At A Glance

### About Gfinity

Gfinity is a world leading esports business. Created by gamers for the world's 2.2 billion gamers, Gfinity has a unique understanding of this fast-growing global community. It uses this expertise to provide both advisory services and to design, develop and deliver unparalleled experiences and winning strategies for game publishers, sports rights holders, commercial partners and media companies.

Gfinity connects its partners with the esports community in authentic and innovative ways. This consists of on and off-line competitions and industry leading content production.

Partnerships include EA SPORTS, Activision Blizzard, F1 Esports Series and the Forza Racing Championship.

Gfinity connects directly with competitive gaming consumers through its growing community of gamers on its own platforms; Gfinity esports and RealSport101.

All Gfinity services are underpinned by the Company's proprietary technology platform delivering a level playing field for all competitors and supporting scalable multi-format leagues, ladders and knock out competitions.

### What we do



#### Esports Solutions

Creating long term, new business verticals in the virtual world



### Our Approach

#### Strategic Client Management

Design; Develop; Deliver

### What We Deliver

Online/offline competitions

Tournament

Live & ancillary content

Competitive gaming entertainment

Build community & engagement

Advisory services

### Our Difference

Holistic solution development

Consumer insights

Proprietary tech platform

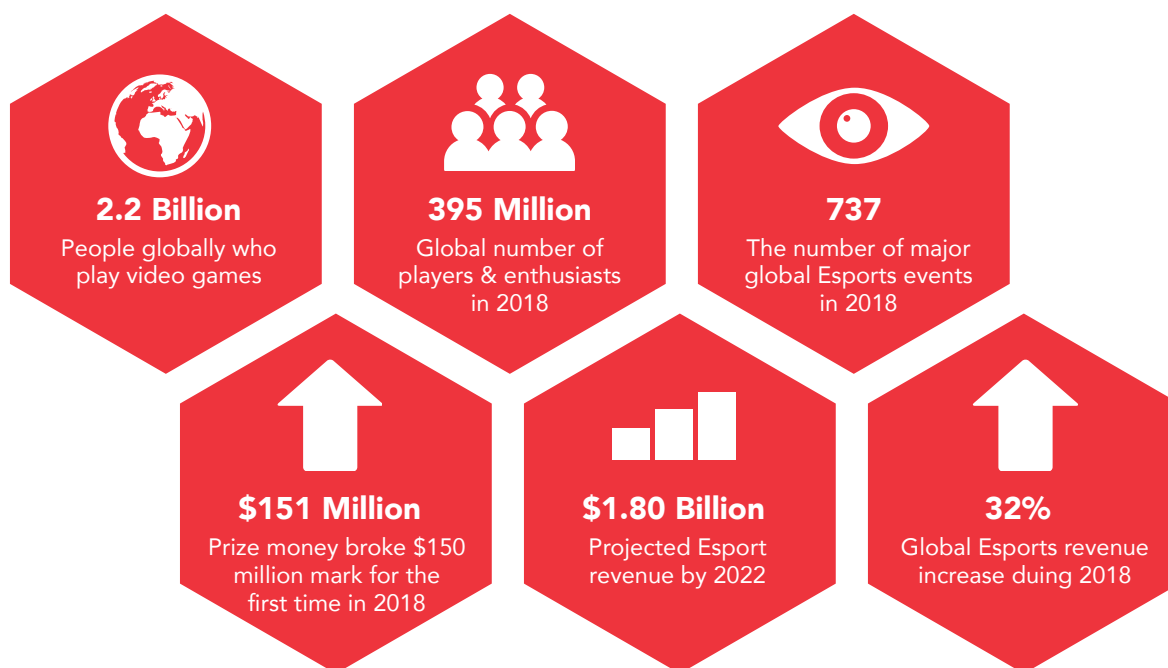
Tribe

World class production

Long term value creation



## Growth of esports



Source: Newzoo Global Esports Market Report 2019

## Uniquely positioned

Gfinity's value is unparalleled in creating compelling experiences for next generation of digital consumers. The fragmented ecosystem requires end-to-end esports solutions to build large sustainable new revenue streams.

### Publishers

Esports platform and expertise that drives engagement and profitability

### Media

Access to proven esports and entertainment formats engaging a young audience

### Sports Rights Holders

Solutions that future proof franchise, connecting with valuable and hard to reach demographics

### Consumers

Ability to play, compete, be part of communities, and be entertained by engaging content

### Brands

Solutions that deliver memorable experiences and connects hard to reach younger consumers



## STRATEGIC REPORT

## Executive Chairman's Report



"Gfinity is uniquely positioned in the gaming community and has proven itself to be a trusted partner"

A blue ink handwritten signature of Garry Cook.

**Garry Cook**  
Executive Chairman

**19 October 2019**

In the past 12 months we have confirmed Gfinity's position as a leading international esports business and trusted independent partner of some of the world's leading publishers, rights holders and brands. The esports and competitive gaming sector has continued to grow. Its complexity and fragmented nature mean it is a consumer market like no other. Gfinity is uniquely positioned in the gaming community and has proven itself to be a trusted provider in the fragmented esports ecosystem, designing, developing and delivering tailored esports solutions that are helping to create long-term, new business verticals in the virtual world for its clients and partners.

During the year the Company's leadership team has refocused the business around a Strategic Client Management model which has helped build a robust pipeline of new commercial opportunities, whilst at the same time enabling us to deepen relationships with a number of our strategic partners. This revamped growth strategy has delivered a solid financial performance with revenue growth of over 80% for the second year in a row and the focus on higher margin business and discipline on costs, has contributed to a 30% improvement in the adjusted operating loss.

In what has been an incredibly busy year, we have performed in line with our expectations and remain confident that the Company is well on the way to its stated target of breakeven Adjusted EBITDA by 2021.

### The consumer always decides

There are currently 2.2 billion gamers globally. Roughly 900 million of them are what we call engaged gamers. These are male and female players, predominantly under the age of 35 and who love esports and competitive gaming. This is not a homogenous group. They have different aspirations and motivations. They play and consume content at a level that surpasses anything seen before in traditional sports. In recent months we have invested in and deepened our understanding of this young and typically hard to reach group, developing proprietary gamer segmentation profiles. In the hands of our in-house gamer experts this is enabling us to deliver insight led and targeted solutions for our partners and clients.

### The hard to reach young gamer

We have seen the next wave of investment into the gaming segment coming from non-endemic brands. Global, household names who see competitive gaming as the answer to their business need to find a younger consumer base and give themselves a platform for future growth. They are looking for a trusted partner to help them navigate this new and exciting opportunity. Gfinity's value is unparalleled in creating compelling experiences for this next generation of digital consumers. The fragmented esports ecosystem creates an opportunity for end-to-end esports solutions that can build large sustainable





new revenue streams. Gfinity's unique position at the centre of this means that we are ideally placed to provide these solutions.

### Our evolving business model

Over the last year we started to evolve our financial model from one dominated by service provision, where Gfinity is contracted to create a solution which the business client then monetises, to a broader Partnership Model. This is where Gfinity and partners own or co-own a solution, create IP and then monetise it, sharing the commercial rights. Over time this model will become a key offering and contribution to the group. We have also seen a significant increase in the demand for Gfinity's advisory services and the growth in our community building is also going to open up multiple new, recurring revenue streams.

### Growth in strategic partnerships

We have deepened the relationships we have built over a number of years and delivered some memorable events. Activision Blizzard brought Call of Duty World League back to London and hired Gfinity to deliver what turned out to be one of the most talked about esports events the UK has ever seen, with sold out signs at the Copper Box Arena, epic game play and an electric atmosphere generated by thousands of fans. EA Sports chose Gfinity to host five events as part of EA SPORTS FIFA 19 Global Series. While for Formula 1 we completed Season 2 of

the Formula 1 Esports Series and we have been reappointed for Season 3.

### Adding new strategic partners

Gfinity's uniquely strong reputation has led to us securing a number of new partnerships. The Premier League appointed Gfinity as Tournament Operator of the inaugural ePremier League. It proved to be a major success, helped by the first ever final in March being contested by Liverpool and Manchester United. We also entered into a partnership with TRUXTUN Capital to be the primary consulting and programme management partner for the Qatar Esports WEGA Global Games. This promises to be an amazing series of events that is going to further extend the reach of top-level gaming across the globe. We were also appointed by HP Omen as production partner for The Esports Series Season 2, which spanned six episodes and has a worldwide reach.

### Gfinity's growing gamer community and media assets

To deliver smart and effective esports solutions it was clear that we would benefit from building a robust community. In April 2018 Gfinity acquired RealSport101, a dynamic news portal covering multiple sports, traditional and virtual. During the year we refocused the RealSport101 web and social channels 100% on esports news and features, adding writers, broadening the games covered and serving content at optimum times for both the UK and US

markets. Concurrently we have expanded the reach of gfinityesports.com and its social channels. Gfinity now has a large and growing community and features in the daily news and entertainment gathering habits of millions of esports fans. It is now a credible and valuable Media Distribution Channel, reaching over 20 million gamers, creating new, scalable and recurring revenue streams. From ad serving to site takeovers and content sponsorships, publishers and brands now have a dynamic route to reach and engage with young gamers. In addition, our gamer community enables us to continually stay on top of trends, allowing us to create even more focused solutions for our clients and partners.

### Elite Series

Over the last few months we took the decision to review the Elite Series, to relook, reimagine and relaunch it when we have a model that delivers on the strict financial metrics that we have set ourselves. The Elite Series delivered significant value to the business, showcasing our tournament and content creation abilities and driving multiple new commercial relationships. It also became a creative hot house that allowed us to trial formats that had never been seen before, a number of which have now become common practice for publisher-driven global esports programmes. We plan to re-launch the Elite Series with a new format when we have finalised the proposition that works for all stakeholders.

## Investing in talent

Gfinity has an outstanding team of gaming experts and professionals. In the last year we complemented the existing team with the appointment of two seasoned professionals in Graham Wallace as Global Chief Operating Officer and John Clarke as Global Brand and Marcomms Officer. We have continued to add talent that now gives us a unique blend of capabilities across gaming, technology, production, marketing, community building, commercial and operations. This broad skill set makes us invaluable to any organisation looking to connect with young gamers. In April we brought the Gfinity family under one roof, moving to an open plan office in Hammersmith that facilitates collaboration and co-creation. We see the benefits of this move on a daily basis.

## CSR

We are delighted to have been able to once again support the Digital Schoolhouse Esports Tournament initiative. It is inspiring to see young people come together around gaming, to compete, to socialise and to grow. Negative stereotypes continue to exist around gaming but when you see young people taking part in this project you can see how gaming can be a force of good in our communities. We are exploring ways to take our partnership to another level and utilise gaming to assist those children who are currently underachieving at school.

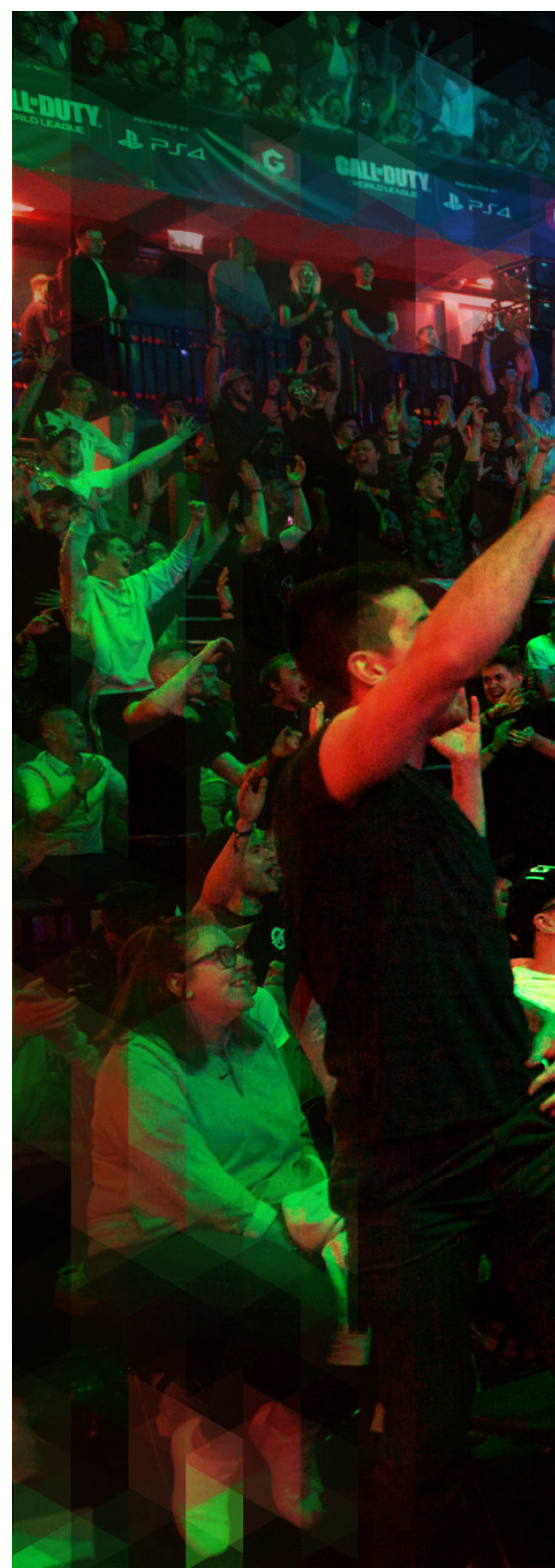
## Outlook

We made good progress in the last year and the Company's strategic plan is now well embedded in the business. Our focus on a Strategic Client Management model has enabled us to deepen existing relationships and build a robust pipeline of exciting new opportunities. We are on the pathway to breakeven on an Adjusted EBITDA<sup>3</sup> basis within the next two years and continue to target a long-term group gross margin of 30-40% and an Adjusted EBITDA margin in the range of 15-25% on a normalised basis.

## In closing

Gaming is an integral part of the way young people now live their lives. Digitisation has changed the way they socialise and engage. They have said no to passive entertainment and yes to interactive entertainment. I am excited about what the future holds and the positive role that Gfinity is playing, and will continue to play, in igniting an esports revolution. Our business is at an inflection point. We are at the epicentre of the fragmented esports ecosystem, trusted to deliver high impact esports solutions to an ever-growing list of organisations looking to connect with young gamers. After a year of great progress and with exciting opportunities ahead, I would like to say thank you to our partners for their support and to all the Gfinity team for their passion for what they do. I am inspired daily.

**"We are at the epicentre of the fragmented esports ecosystem, trusted to deliver high impact esports solutions to an ever-growing list of organisations looking to connect with young gamers"**



<sup>3</sup> Adjusted EBITDA is earnings before interest, tax, depreciation, impairment, amortisation and the share-based payment expense.





## STRATEGIC REPORT

## Chief Financial Officer's Report



"Revenue of £7.9m represented a year on year increase of over 80% for a second consecutive year"

**Jonathan Hall**  
Chief Financial Officer

19 October 2019

### Summary

The year to 30 June 2019 was a period of strong growth for the business. I am pleased to be able to report on an 82% increase in revenue, a move to a gross profit position and good cost discipline. Overall this has enabled us to deliver a 30% improvement in the adjusted operating losses.

Revenue of £7.9m (2018: £4.3m) represented a year-on-year increase of over 80% for a second consecutive year, reflecting both the value of our investments in people, products and technology in recent years and the strength of our strategic account relationships with a blue chip client base, who continue to look to Gfinity for their esports solutions.

Revenue growth and an improved product mix delivered a gross profit of £1.0m (2018: loss of £3.4m), driven by the growth in strategic partnership solutions, coupled with a reduced investment in Gfinity owned content. Notwithstanding the 82% revenue growth and a £4.5m improvement at a gross profit level, administrative expenses (adjusted to remove the impact of certain non-cash items, specifically the share option charge, depreciation, amortisation and impairment of intangible assets) increased by 10%, to £9.6m. This increase reflected the full year impact of cost increases during the previous financial year, with expenses remaining flat on a month on month basis throughout the year to 30 June 2019. This demonstrates the

strong operating leverage capability in the business.

Year-end cash of £0.6m (2018: £3.7m) was in-line with expectations and was boosted by strong cash collection following the year end. This was supplemented at the end of July 2019 by the completion of an oversubscribed fundraise, raising a further £5.25m (gross) with strong support from both new and existing investors, leaving the business well positioned as it moves into the 2019/20 financial year.

### Revenue and cost of sales

Revenue of £7.9m represented another year of strong growth, driven principally by growth in both the size and number of Gfinity's strategic client relationships. While relationships with existing major partners, including Microsoft, EA Sports and F1 continued to build, we were also delighted to commence new programmes with Premier League, IndyCar and TRUXTUN Capital. The new programmes with IndyCar and TRUXTUN Capital demonstrate Gfinity's capability to deliver strategic consultancy programmes around the esports sector. The consultancy programme is a higher margin revenue stream, which we expect to grow significantly through the 2019/20 financial year and in the medium-term and we expect it to contribute approximately 10% of group revenues over time.

Revenue from Gfinity Elite Series grew 89% to £1.5m, with the net investment required reducing significantly to £0.4m, reflecting



both the increase in revenue and the fact that only one season was delivered during the year, compared to three in the prior year. This product has gained significant traction in the industry, however, over the past two years it has also drawn on a lot of resources from Gfinity's business. We are currently looking at restructuring this property, with a view to relaunching it in a revised format, with stronger commercial performance.

Revenue from esports programmes with our strategic partnerships also grew strongly in the year, increasing 81% to £6.4m, delivering gross profit of £1.4m at a margin of 21.9%. This margin was strengthened during the year through the inclusion of Gfinity's first strategic consultancy projects. It also included an increasing proportion of programmes in which Gfinity retained a share of the commercial rights to the programmes, alongside a simple delivery fee.

Over the next two years we expect gross margins to strengthen significantly, driven by the growth in strategic consultancy income, a strengthening of the margins across our service delivery work, growth in value of the commercial rights for our esports programmes and the increase in advertising and sponsorship income for access to the rapidly growing Gfinity and RealSport communities. In the medium-term, we expect gross margins to achieve a target blended level of 35%-40%.

### Administrative Expenses

Administrative expenses, excluding non-cash items<sup>4</sup>, amounted to £9.6m (2018: £8.8m). This 10% year-on-year increase is relatively low in the context of revenue growth of 82%, demonstrating the scalability of the current business and also a reprioritisation of resources throughout the year to the areas driving the greatest value. The small increase reflects the full year impact of the uplift seen during 2017/18, which itself was driven by the targeted recruitment of certain high calibre individuals. Actual underlying administrative expenses on a month-on-month basis have remained constant throughout the year.

Full administrative expenses for the year include an impairment charge of £0.4m (2018: £0), in respect of revenues attached to specific account relationships held in CEVO. While overall revenue across the group has grown strongly, in line

with expectations, the intangible asset created on acquisition of CEVO related to a specific company relationship from which revenues declined on a year on year basis. In line with IFRS requirements an impairment charge was therefore recognised in respect of this relationship.

### Operating loss

Adjusted operating loss<sup>5</sup> for the full year was £8.6m (2018: £12.2m), representing a year-on-year improvement of 30%. We expect to see a further significant improvement in 2019/20, before we reach our breakeven Adjusted EBITDA target by 2021.

### Share of loss in associates

Esports Awards Ltd, in which Gfinity holds a 33% investment, continues to make strong progress as it builds an industry leading awards event for the esports sector. The November 2018 event attracted a global audience of over three million viewers, with more than 300,000 people registered and casting 3.3 million votes between them over the respective award categories. This provides a strong base from which to drive content and sponsorship revenues in the medium-term, which we believe will create an investment property of real value for the group. Gfinity's share of loss in Esports Awards Ltd in the year was £0.1m (2018: £0.1m).

Gfinity Australia achieved some good early traction in terms of audience and commercial partners. However, the net cost required to deliver the programme remained high in relation to the size of the local market. As a result, in August 2019, both Gfinity and the majority shareholder (HT&E plc) announced that the venture would be wound down, ceasing all operations by December 2019. The net loss from this venture during the year was £0.9m (2018: £0.3m).

### Cash and cash equivalents

Year-end cash of £0.6m (2018: £3.7m) was in line with expectations. This figure was impacted by the phasing of invoicing on certain key projects, which resulted in a trade and other receivables balance of £2.3m at year end. A total of £1.8m of this balance was collected in the first three weeks of July 2019. This was supplemented at the end of the month by the completion of an oversubscribed equity fundraise, raising a further £5.25m

(gross) with strong support from both new and existing investors, leaving the business well positioned going into the 2019/20 financial year.

### Financial outlook

Our results represent a significant step along the path towards the Company's target of reaching our breakeven Adjusted EBITDA target by 2021..

Strong revenue growth at an improving gross margin is expected to continue, driven by:

- The development of the Company's strategic consultancy programme;
- Sponsorship and advertising relating to Gfinity's rapidly growing gamer community;
- Continuing growth in the esports solutions business with major strategic accounts; and
- Growth in the value of shared commercial rights attached to these esports programmes, as more and more brands, rights holders, publishers and media companies seek to reach the growing audience of esports consumers.

Administrative expenses will remain tightly controlled, meaning that this improving gross profit will pass through to the bottom line.

The Company continues to target a long-term group gross margin of 30-40% and an Adjusted EBITDA margin in the range of 15-25% on a normalised basis.

<sup>4</sup> Administrative expenses include £2.5m of non-cash items; depreciation £0.4m (2018: £0.4m), amortisation and impairment of intangibles £1.0m (2018: £0.4m) and share option charge £1.1m (2018: £0.4m).

<sup>5</sup> Per note 4

## STRATEGIC REPORT

## Principal Risks and Uncertainties

## Introduction

Gfinity's long-term success will depend in large part on its ability to manage the key risks affecting the Company. Gfinity is an innovative business in a young and rapidly growing sector. 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 them.

"Gfinity is an innovative business in a young and rapidly growing sector."

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.

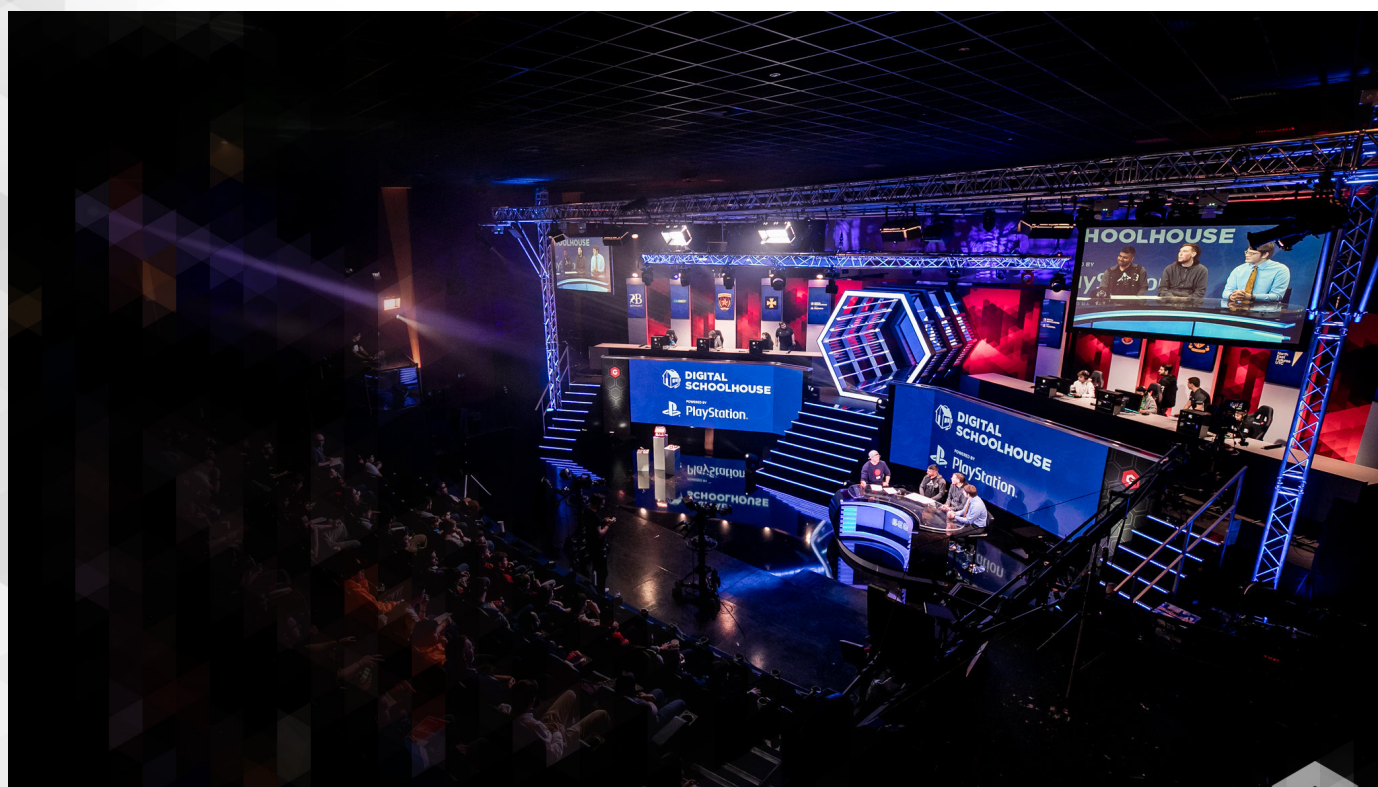
Gfinity distinguishes between strategic risks and operating risks. Strategic risks represent macro level matters, which may impact on the strategy of the Company. Operating risks reflect the ongoing challenges that the business may face in delivering on that strategy.

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 frameworks are 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

Risk	Description	Mitigating Actions
Economic and Political Uncertainty	<p>Uncertainty over the United Kingdom's exit from the European Union, and what future trading arrangements may be put in place, have created a climate of economic and political uncertainty, which creates risks at both a strategic and operational level for Gfinity. At a strategic level, the uncertainty could create challenges with regards to capital availability and the desire of global publishers, rights holders and brands to deliver programmes in the UK.</p>	<p>Gfinity completed a fundraise shortly following the 2019/20 financial year end leaving the business well capitalised for the year ahead and in particular, providing financial certainty around the time currently scheduled for the United Kingdom's departure from the European Union.</p> <p>Gfinity has also diversified its service offering and the geographical base of its clients, providing services ranging from strategic consultancy to providing written and video content direct to a global community of esports fans. This has created a much smaller reliance on the delivery of global partner events from the UK.</p>
Intellectual property risk	<p>Esports involves 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's brand and technology platform, together with the audience consuming Gfinity content, 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 negatively, as something that promotes 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 the top level, where teams and players are practicing for many hours per day, this will frequently be supplemented by fitness and nutrition programmes to keep players healthy.</p>

## STRATEGIC RISKS Continued...

Risk	Description	Mitigating Actions
Competition risk	<p>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.</p>	<p>Gfinity's unique capability comes from a combination of its proprietary platform, the cumulative knowledge and breadth of relationships of its experienced team, its deep understanding of the esports community, and the investment in its esports studio.</p> <p>Gfinity continues to invest in these capabilities to retain a lead in the marketplace 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.</p>
Speed of revenue growth	<p>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.</p>	<p>The directors of Gfinity firmly believe that establishing a market leading position in the fast-growing esports sector is 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 continues to liaise with key shareholders on an ongoing basis to ensure the availability of further funding if required.</p>



## OPERATIONAL RISKS

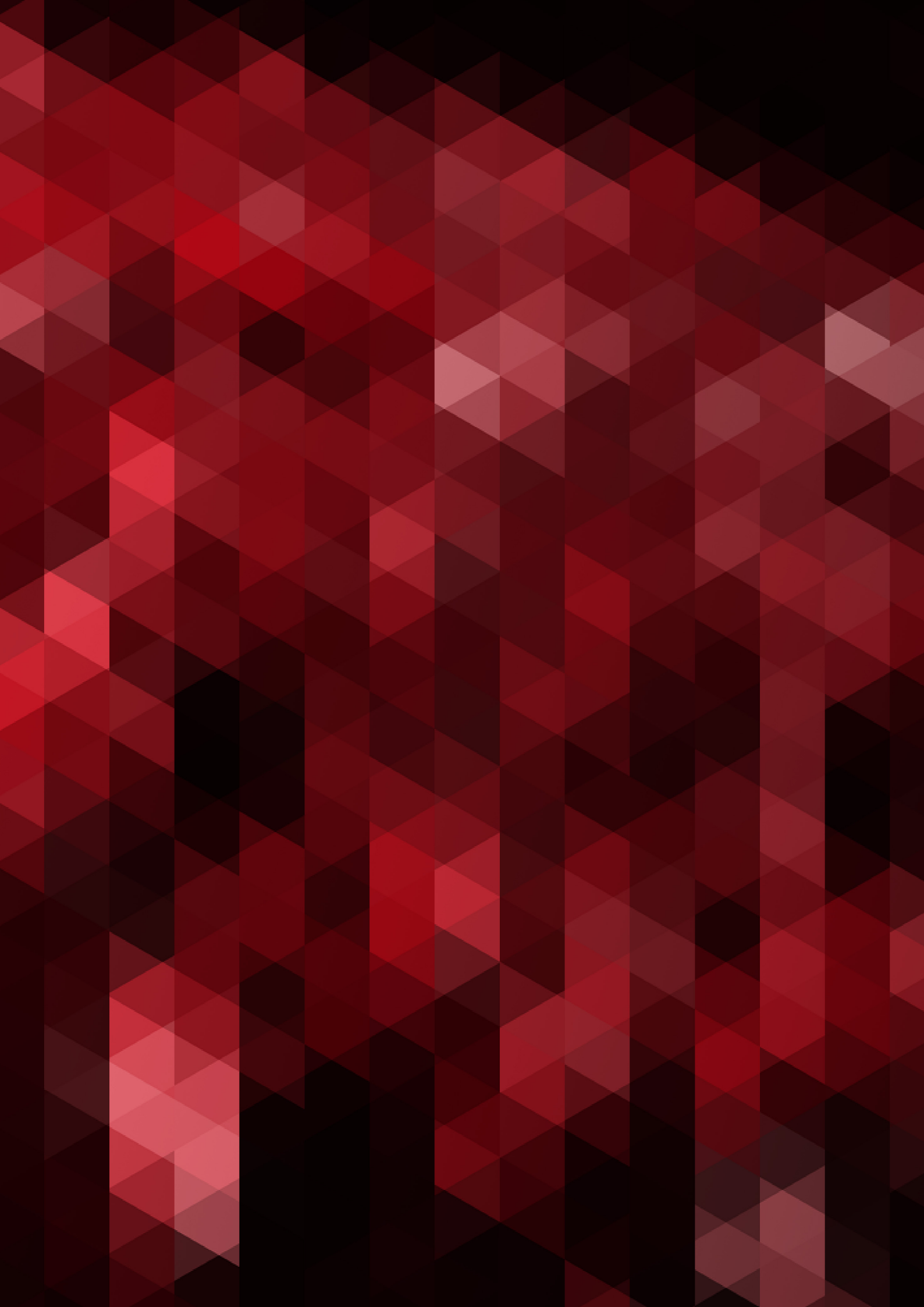
Risk	Description	Mitigating Actions
Economic and Political Uncertainty	Alongside the strategic risks that this uncertainty creates, it also presents a number of risks at an operational level, including access to equipment, attendance of players and talent at Gfinity events and matters of cross border billing and taxation.	While the future trading relationship between the United Kingdom and the European Union is undetermined, each department has undertaken a risk assessment, reviewing the potential impact of a worst case scenario 'no deal' Brexit. Should this event occur, the business will therefore be in a position to continue to deliver its services without a material disruption to operations.
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 a 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 a 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 RealSport.  Increasing levels of data protection regulation, including GDPR legislation, and ongoing cyber security risks, 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

19 October 2019





Annual Report & Financial Statements 2019

# **GOVERNANCE**

---

## 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 [gfinityplc.com](http://gfinityplc.com)."

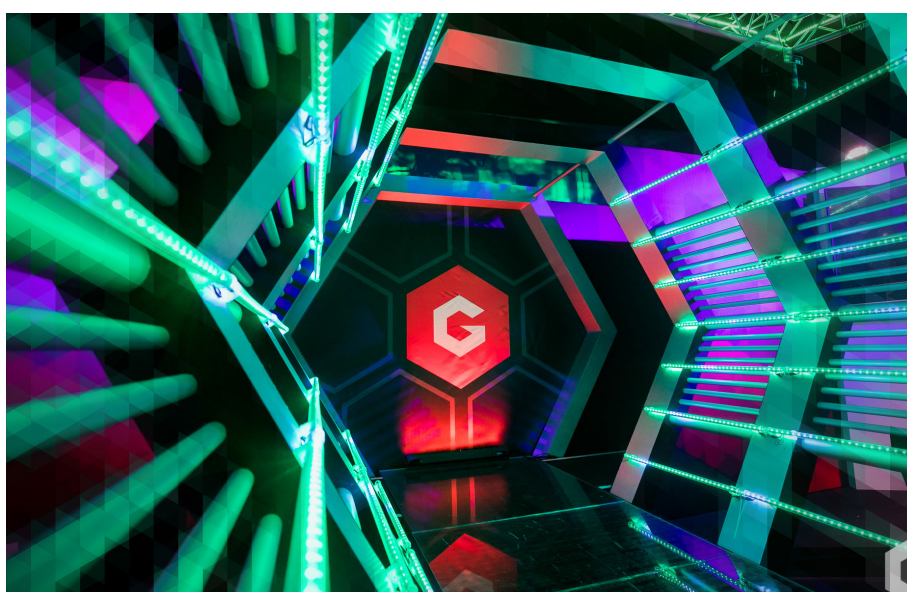
**Garry Cook**  
Executive Chairman

## Board of directors:

The Gfinity plc board is responsible for:

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



## GOVERNANCE

## Board of Directors

## GARRY COOK, EXECUTIVE CHAIRMAN

Appointed: 23rd November 2017

A leading sports executive, Garry has worked in a number of high-profile roles, including 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 Gfinity board in November 2017 and became the Executive Chairman in May 2018.

## GRAHAM WALLACE, GLOBAL CHIEF OPERATING OFFICER

Appointed: 12 July 2018

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 Gfinity board in July 2018.

## JOHN CLARKE, GLOBAL BRAND AND MARCOMMS OFFICER

Appointed: 18 September 2018

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 positions of Head of Global Communications and 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 as a Non-Executive Director in September 2018 and was appointed Global Brand and Marcomms Officer in May 2019.

## JONATHAN HALL, CHIEF FINANCIAL OFFICER

Appointed: 1 September 2014

Jon qualified as a Chartered Accountant with Arthur Andersen followed by a period of six years specialising in organisation and business process design with PA Consulting, a leading London based management consultancy firm. He subsequently spent five years as a Finance Director of Saracens Ltd and the wider Premier Team Holdings Group, before joining Gfinity in August 2014 where he led the process of the Company's admission to AIM. As Chief Financial Officer Jon has responsibility for all aspects of finance and accounting, including financial planning, reporting and accessing capital to fund growth.

## NEVILLE UPTON, FOUNDER

Appointed: 15 January 2014

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 specialised 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 Gfinity in 2012.

## ANDY MACLEOD, INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 23 November 2017

Andy has extensive communications industry experience from a variety of senior roles with major carriers and technology vendors. Until recently he spent eleven years at Vodafone Group, firstly as Group Chief Networks Officer responsible for the operation of Vodafone's telecoms networks world-wide, then as Chief Technology Officer for Verizon Wireless in the USA and finally as the Regional CTO for the thirteen Vodafone Operating Companies outside Europe. He has recently retired from corporate life and has a portfolio of NED and consulting roles. Andy has served on the boards of Verizon Wireless Inc, Vodafone Italy Spa and Indus Towers Ltd, as Deputy Chair of IDEX ASA and is currently a Non-Executive Director of IQGeo, an AIM listed geolocation software Company. He holds a degree in Materials Science from Oxford University, an MBA from Warwick Business School and is a Fellow of the Royal Academy of Engineering. Andy joined the Gfinity board in November 2017.

## PREETI MARDIA, INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed: 23 November 2017

Preeti Mardia has diverse end-to-end operational management and commercial expertise across Electronics, Telecoms, Aerospace and FMCG sectors. Preeti 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 also has FMCG experience in operations with Cadbury Schweppes Plc. Preeti Mardia has a Master's degree in Management from Ashridge. Preeti joined the Gfinity board in November 2017.

## Board Composition and Performance:

The composition of the Gfinity board is structured to contain the range of skills and personal qualities required to effectively discharge its duties. The board recognises that as Gfinity develops, within 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 the Nominations Committee. Further details 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 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 respective committees and between the Independent Directors and senior management.

### 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 four 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 where 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 two.

## ATTENDANCE RECORD:

Director	Number of Meetings Attended	Total Meetings in Period in Office
Garry Cook	8	8
Graham Wallace	8	8
Neville Upton	8	8
Jonathan Hall	8	8
John Clarke	6	6
Preeti Mardia	8	8
Andy MacLeod	8	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 two new directors, both with significant leadership experience in relevant sectors.

Performance of the board is assessed on an annual basis. This process is led by the Chair of the Nominations Committee, supported by the Financial Director, and assesses 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.

Following the appointment of John Clarke to an Executive Director position, the board is now seeking to redress the balance between Executive and Non-Executive Directors and will be looking to make further Non-Executive Director appointments during the 2019-20 financial year.

### 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 made by 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.



**ATTENDANCE RECORD:**

Director	Number of Meetings Attended	Total Meetings in Period in Office
Preeti Mardia	3	3
Andy MacLeod	2	3
Graham Wallace	3	3

**Nominations Committee**

The Nominations 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.

- Andy MacLeod (Chair)
- Preeti Mardia
- Graham Wallace

**ATTENDANCE RECORD:**

Director	Number of Meetings Attended	Total Meetings in Period in Office
Andy MacLeod	1	1
Preeti Mardia	1	1
Graham Wallace	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 six board meetings per annum, 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.

**ATTENDANCE RECORD:**

Director	Number of Meetings Attended	Total Meetings in Period in Office
Andy MacLeod	3	3
Preeti Mardia	3	3

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 Global Chief Operating Officer 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 and relative to the experience of the individuals in question. Executive Directors are eligible for pension contributions and participation in the Company's health insurance and life assurance schemes.

**Annual bonuses**

Bonuses awarded to Executive Directors are included in the Directors' Emoluments table on page 28. Bonuses form part of the overall remuneration of Executive Directors and are aligned to the achievement of financial and strategic milestones which are designed to promote long-term value for all shareholders.

**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 believes 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 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 six 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' INTERESTS IN SHARES

The interests of the Directors at 30 June 2019 in the shares of the Company were:

	Number of Ordinary Shares	Percentage of issued share capital
Neville Upton	14,877,245	4.10%
Garry Cook	1,990,741	0.55%
Graham Wallace	312,500	0.09%
Andrew MacLeod	78,704	0.02%
	<b>17,259,190</b>	<b>4.76%</b>

## SHARE OPTIONS

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

	As at 30 June 2018	Options Granted	Options Lapsed	As at 30 June 2019
Garry Cook	1,000,000	8,590,446	-	9,590,446
Graham Wallace	-	8,590,446	-	8,590,446
Neville Upton	7,870,670	-	-	7,870,670
John Clarke	-	3,000,000	-	3,000,000
Jonathan Hall	1,548,571	-	-	1,548,571
Andy MacLeod	1,000,000	-	-	1,000,000
Preeti Mardia	1,000,000	-	-	1,000,000
	<b>12,419,241</b>	<b>20,180,892</b>	<b>-</b>	<b>32,600,133</b>



## GOVERNANCE

# Audited Information

### DIRECTORS' EMOLUMENTS

Emoluments of the directors for the year ended 30 June 2019 are shown below.

	Year ended 30 June 2019				Year ended 30 June 2018
	Salary & Fees	Bonus	Pension	Total Remuneration	Total Remuneration
Garry Cook	292,400	120,000	-	412,400	80,000
Graham Wallace	289,875	80,000	-	369,875	-
Neville Upton	150,000	-	-	150,000	150,000
Jonathan Hall	140,000	30,400	548	170,948	125,000
Preeti Mardia	25,000	-	236	25,236	15,278
Andrew MacLeod	25,000	-	-	25,000	15,278
John Clarke	172,500	20,800	548	193,848	-
	<b>1,094,775</b>	<b>251,200</b>	<b>1,332</b>	<b>1,347,307</b>	<b>385,556<sup>6</sup></b>

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



**Garry Cook**  
Executive Chairman

19 October 2019

<sup>6</sup> This figure does not include remuneration for former directors

## GOVERNANCE

## Directors' Report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 30 June 2019.

**Principal activities**

Gfinity is a world leading esports company. As a trusted independent esports provider it designs, develops and delivers esports solutions to publishers, sports rights holders, brands and media companies that connects them with hundreds of millions of young gamers. Gfinity is also becoming a standalone media distribution channel, organically engaging with 20 million gamers each month and providing them with compelling news and innovative content formats.

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

**Future development**

Our development objectives for 2019–20 and beyond 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 2019.

**Results and dividends**

The consolidated income statement is set out on page 41.

The Company's loss after taxation amounted to £12.0m (2018: £13.6m).

The directors do not recommend the payment of a dividend for the year ended 30 June 2019.



## Events since the balance sheet date

On 15 July 2019 Gfinity plc announced its intention to raise up to £5.25m by way of a placing to new and existing shareholders. On 31 July 2019 this placing was approved at an Extraordinary General Meeting of the Company and the new shares were admitted to AIM on 1 August 2019.

## 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 2019 and up to the date of signing the consolidated financial statements except where otherwise shown.

### Garry Cook

Executive Chairman

### Graham Wallace

Global Chief Operating Officer\*

### Neville Upton

Founder

### Jonathan Hall

Chief Financial Officer

### John Clarke<sup>†</sup>

Global Brand and Marcomms Officer<sup>†</sup>

### Preeti Mardia

Non-Executive Director

### Andy MacLeod

Non-Executive Director

\*Graham Wallace was appointed to the board on 12 July 2018

†John Clarke was appointed to the board as a Non-Executive Director on 18 September 2018 and assumed the Executive role of Global Brand and Marcomms Officer on 3 May 2019.

## 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.



## GOVERNANCE

## 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 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.

The trade and assets of the incumbent auditor, Rees Pollock, were acquired by Blick Rothenberg LLP on 30 September 2019 and Rees Pollock ceased to be regulated to perform statutory audits from that date. The directors appointed Blick Rothenberg LLP, trading under the Rees Pollock brand, to fill the casual vacancy arising and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

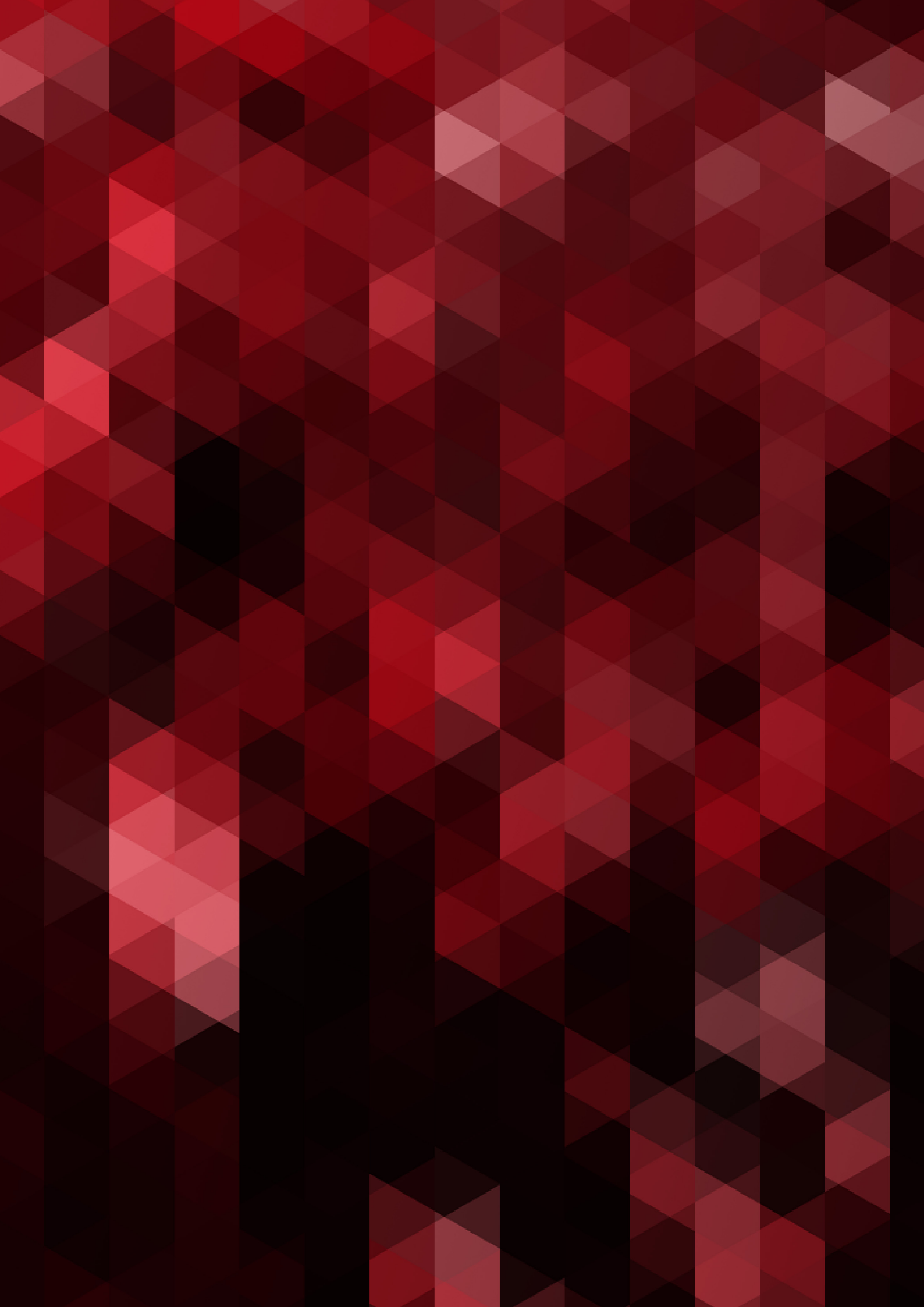
## By order of the board:



**Garry Cook**  
Executive Chairman

**19 October 2019**





Annual Report & Financial Statements 2019

# **FINANCIAL STATEMENTS**

---

## FINANCIAL STATEMENTS

# Independent Auditor's Report to the members of Gfinity PLC for the year ended 30 June 2019

### Opinion

We have audited the financial statements of Gfinity PLC ('the parent company') and its subsidiaries (the 'group') for the year ended 30 June 2019 which comprise the group statement of profit or loss, the group statement of comprehensive income, the group and company statements of financial position, the group and company statements of changes in equity, the group and company statements 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 2019 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.

Key audit matter	How the scope of our audit addressed the risk
<p>Going concern assessment (Group and parent company)</p> <p>The group has reported a post-tax loss for the year of £12.5m and at the balance sheet date had net current liabilities of £0.1m, a net decrease for the year of £3.6m, which includes cash and cash equivalents of £0.6m, a net decrease for the year of £3.1m. Continued losses of this magnitude would increase the net current liability and further reduce 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 in note 2 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 1 August 2019 which resulted in a further £5.0m of funding (net of placing costs).</p> <p>We challenged the significant inputs and assumptions used in the forecast model and evaluated the feasibility of options 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>Goodwill impairment assessment (Group)</p> <p>The group had goodwill of £2.5m (note 12) with an indefinite life as at 30 June 2019, 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 Management's 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.</p> <p>Based on our procedures and the evidence available to the date of this report we concur with Management's conclusion that no impairment to the carrying value of goodwill is necessary.</p>



## FINANCIAL STATEMENTS

# Independent Auditor's Report to the members of Gfinity PLC for the year ended 30 June 2019<sup>(continued)</sup>

Key audit matter	How the scope of our audit addressed the risk
<p><b>Valuation of intangible assets (Group)</b></p> <p>The group had intangible assets of £1.0m (note 11) with remaining useful economic lives of between 2 and 3 years as at 30 June 2019. Management are required to conduct impairment reviews where there is an indication of impairment of an asset.</p> <p>Management identified an impairment indicator for the Customer relationship asset and therefore performed a full impairment review to compare the carrying amount of asset to its recoverable value, being the higher of value-in-use and fair value less costs to dispose. This resulted in an impairment charge of £0.4m being recognised in the year.</p> <p>The assessment of whether there are impairment indicators and, where indicators are identified, the determination of the recoverable amount of the asset requires significant estimation and judgement, as disclosed in note 3. Accordingly, the carrying value of intangible assets has been identified as a key audit risk.</p>	<p>We evaluated Management's assessment of whether impairment indicators exist for respective assets by reviewing the internal and external factors that were considered in making their assessment in each case.</p> <p>Where impairment indicators were identified and a full impairment review performed, we evaluated Management's assessment of the carrying value of the asset by reviewing the cash flow forecasts included in Management's value-in-use calculations for the relevant asset.</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 the intangible assets.</p> <p>Based on our procedures and the evidence available to the date of this report we concur with Management's conclusion that the carrying value of intangible assets, as disclosed in note 3, represents the recoverable amount and therefore that no adjustment to the carrying value of investments is necessary.</p>
<p><b>Valuation of investments (Parent company)</b></p> <p>The company had investments in its subsidiaries of £4.5m (note 14) with an indefinite life as at 30 June 2019, 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 concur with Management's conclusion 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 £700,000 (2018: £600,000). 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 5.8% (2018: 4.5%) of loss before tax, 8.9% (2018: 13.9%) of revenue and 10.0% (2018: 5.2%) of total assets.

We report to the Audit Committee all identified unadjusted errors in excess of £70,000. Errors below that threshold would also be reported if, in our opinion as auditor, disclosure was required on qualitative grounds.

## 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.

## FINANCIAL STATEMENTS

# Independent Auditor's Report to the members of Gfinity PLC for the year ended 30 June 2019<sup>(continued)</sup>

## 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.

## Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of this report

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

**Philip Vipond**  
Senior Statutory Auditor

for and on behalf of  
**Rees Pollock,**

Chartered Accountants  
Statutory Auditor

35 New Bridge Street  
London  
EC4V 6BW

**19 October 2019**





## FINANCIAL STATEMENTS

## Group Statement of Profit or Loss

	Notes	1 July 2018 to 30 June 2019 £	1 July 2017 to 30 June 2018 £
<b>CONTINUING OPERATIONS</b>			
Revenue	4	7,870,166	4,317,325
Cost of sales		(6,832,652)	(7,732,767)
<b>Gross Profit / (Loss)</b>		<b>1,037,514</b>	<b>(3,415,442)</b>
Administrative expenses	6	(12,106,612)	(10,033,326)
<b>Operating loss</b>		<b>(11,069,098)</b>	<b>(13,448,768)</b>
Finance income	8	6,481	1,432
Finance costs	8	(1,583)	(1,333)
Share of net loss of associates & impairment of associates		(991,951)	(347,237)
<b>Loss on ordinary activities before tax</b>		<b>(12,056,151)</b>	<b>(13,795,906)</b>
		-	-
Taxation	9	59,832	222,356
<b>Retained loss from continuing operations</b>		<b>(11,996,319)</b>	<b>(13,573,550)</b>
Profit from discontinued operations	27	1,911	-
		<b>(11,994,408)</b>	<b>(13,573,550)</b>
<b>Earnings per share</b>	20	<b>(0.04)</b>	<b>(0.06)</b>

## FINANCIAL STATEMENTS

## Group Statement of Comprehensive Income

	Notes	1 July 2018 to 30 June 2019 £	1 July 2017 to 30 June 2018 £
<b>GROUP STATEMENT OF COMPREHENSIVE INCOME</b>			
<b>Loss for the period</b>		<b>(11,994,408)</b>	<b>(13,573,550)</b>
<b>Other comprehensive income</b>			
Items reclassified to profit or loss			
Changes in the fair value of derivatives recognised at fair value	<b>18</b>	58,083	108,421
Items that will not be reclassified to profit or loss			
Derivatives settled during the period reclassified to profit and loss		(166,504)	
Foreign exchange loss on retranslation of foreign subsidiaries		2,221	(1,717)
<b>Other comprehensive income for the period</b>		<b>(106,200)</b>	<b>(106,704)</b>
<b>Total comprehensive income for the period</b>		<b>(12,100,609)</b>	<b>(13,466,846)</b>

## FINANCIAL STATEMENTS

## Group Statement of Financial Position

	Note	30 June 2019 £	30 June 2018 £
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	10	483,133	758,861
Goodwill	12	2,544,525	2,544,525
Intangible fixed assets	11	1,033,993	2,070,156
Investment in Associate	14	-	264,464
		<b>4,061,631</b>	<b>5,638,006</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	15	2,322,379	2,159,869
Cash and cash equivalents	16	648,454	3,679,288
Current tax assets		-	153,000
		<b>2,970,833</b>	<b>5,992,157</b>
<b>TOTAL ASSETS</b>		<b>7,032,465</b>	<b>11,630,163</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Ordinary shares	19	362,897	286,348
Share premium account		37,455,838	31,565,734
Other reserves		1,637,763	585,539
Retained earnings		(35,731,794)	(23,628,965)
<b>Total equity</b>		<b>3,724,704</b>	<b>8,808,656</b>
<b>Non-current Liabilities</b>			
Deferred tax liabilities	26	322,718	366,245
<b>Current liabilities</b>			
Trade and other payables	17	2,985,042	2,238,420
Derivative financial instruments	18	-	216,842
<b>Total liabilities</b>		<b>3,307,760</b>	<b>2,821,507</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,032,465</b>	<b>11,630,163</b>

The notes on pages 50 to 83 form an integral part of these financial statements.



**Garry Cook**  
Executive Chairman

19 October 2019



**Jonathan Hall**  
Chief Financial Officer

19 October 2019

## FINANCIAL STATEMENTS

## Company Statement of Financial Position

	Note	30 June 2019 £	30 June 2018 £
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	10	459,103	739,855
Investment in Subsidiaries	13	4,466,134	4,466,134
Intangible fixed assets	11	-	23,807
Investment in Associate	14	-	264,464
		<b>4,925,236</b>	<b>5,494,260</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	15	3,760,364	2,584,689
Cash and cash equivalents	16	603,076	3,563,217
Current tax assets		-	153,000
		<b>4,363,440</b>	<b>6,300,906</b>
<b>TOTAL ASSETS</b>		<b>9,288,676</b>	<b>11,795,166</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Ordinary shares	19	362,897	286,348
Share premium account		37,445,838	31,565,734
Other reserves		1,637,259	587,257
Retained earnings		(33,107,935)	(23,028,794)
<b>Total equity</b>		<b>6,348,059</b>	<b>9,410,545</b>
<b>Current Liabilities</b>			
Trade and other payables	17	2,940,616	2,167,778
Derivative financial instruments	18	-	216,843
<b>Total liabilities</b>		<b>2,940,616</b>	<b>2,384,621</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,288,676</b>	<b>11,795,166</b>

The notes on pages 50 to 83 form an integral part of these financial statements.

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 £9,970,720 (2018: loss of £12,973,380).

Signed on behalf of the board on 19 October 2019:



**Garry Cook**  
Executive Chairman

19 October 2019



**Jonathan Hall**  
Chief Financial Officer

19 October 2019



## FINANCIAL STATEMENTS

## Group Statement of Changes in Equity

	Ordinary shares	Share premium	Share option reserve	Retained earnings	Forex	Total equity
	£	£	£	£	£	£
<b>At 30 June 2017</b>	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
<b>Total comprehensive income</b>	-	-	-	(13,465,129)	(1,717)	(13,466,846)
Proceeds of Shares Issued	81,763	13,618,704	-	-	-	13,700,467
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
<b>Total transactions with owners, recognised directly in equity</b>	97,684	16,311,650	433,039	-	-	16,842,373
<b>At 30 June 2018</b>	<b>286,348</b>	<b>31,565,735</b>	<b>587,256</b>	<b>(23,628,965)</b>	<b>(1,717)</b>	<b>8,808,657</b>

## FINANCIAL STATEMENTS

## Group Statement of Changes in Equity(Continued)

	Ordinary shares	Share premium	Share option reserve	Retained earnings	Forex	Total equity
	£	£	£	£	£	£
<b>At 30 June 2018</b>	286,348	31,565,735	587,256	(23,628,965)	(1,717)	8,808,657
Loss for the period	-	-	-	(11,994,408)	-	(11,994,408)
Other Comprehensive Income	-	-	-	(108,421)	2,221	(106,200)
<b>Total comprehensive income</b>	-	-	-	(12,102,830)	2,221	(12,100,609)
Proceeds of Shares Issued	75,000	5,925,000	-	-	-	6,000,000
Shares as consideration	1,549	157,211	-	-	-	158,760
Share issue costs	-	(192,107)	-	-	-	(192,107)
Share options expensed	-	-	1,050,002	-	-	1,050,002
Foreign exchange on retranslation of foreign subsidiaries	-	-	-	-	-	-
<b>Total transactions with owners, recognised directly in equity</b>	76,549	5,890,104	1,050,002	0	0	7,016,656
<b>At 30 June 2019</b>	<b>362,897</b>	<b>37,455,839</b>	<b>1,637,258</b>	<b>(35,731,795)</b>	<b>504</b>	<b>3,724,704</b>

## FINANCIAL STATEMENTS

## Company Statement of Changes in Equity(Continued)

	Ordinary shares £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
<b>At 30 June 2017</b>	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
<b>Total comprehensive income</b>	-	-	-	(12,864,958)	(12,864,958)
Proceeds of Shares Issued	81,763	13,618,703	-	-	13,700,466
Share issue costs	-	(357,717)	-	-	(357,717)
Shares as consideration	15,921	3,050,663	-	-	3,066,584
Share options expensed	-	-	433,039	-	433,039
<b>Total transactions with owners, recognised directly in equity</b>	97,684	16,311,649	433,039	-	16,842,372
<b>At 30 June 2018</b>	<b>286,348</b>	<b>31,565,734</b>	<b>587,256</b>	<b>(23,028,794)</b>	<b>9,410,544</b>
Loss for the period	-	-	-	(9,970,720)	(9,970,720)
Other comprehensive income	-	-	-	(108,421)	(108,421)
<b>Total comprehensive income</b>	-	-	-	<b>(10,079,141)</b>	<b>(10,079,141)</b>
Proceeds of Shares Issued	75,000	5,925,000	-	-	6,000,000
Shares as Consideration	1,549	157,211	-	-	158,760
Share issue costs	-	(192,107)	-	-	(192,107)
Share options expensed	-	-	1,050,002	-	1,050,002
<b>Total transactions with owners, recognised directly in equity</b>	76,549	5,890,104	1,050,002	-	7,016,656
<b>At 30 June 2019</b>	<b>362,897</b>	<b>37,455,838</b>	<b>1,637,258</b>	<b>(33,107,935)</b>	<b>6,348,048</b>





## FINANCIAL STATEMENTS

## Group Statement of Cash Flows

	Note	30-Jun-19 £	30-Jun-18 £
<b>Cash flow used in operating activities</b>			
Net cash used in operating activities	24	(8,470,887)	(12,505,936)
<b>Cash flow from / (used in) investing activities</b>			
Interest received	8	6,481	1,432
Additions to property, plant and equipment	10	(123,558)	(312,342)
Acquisition of subsidiaries, net of cash acquired		-	(1,049,924)
Investment in Associate		(270,661)	(315,713)
Proceeds from sale of discontinued operations		17,678	-
Net cash used in investing activities		(370,061)	(1,676,547)
<b>Cash flow from / (used in) financing activities</b>			
Issue of equity share capital		6,000,000	13,700,466
Share Issue Costs		(192,107)	(357,717)
Net cash from financing activities		5,807,893	13,342,749
Net increase in cash and cash equivalents		(3,033,055)	(839,736)
Effect of Currency translation on cash		2,221	-
Opening cash and cash equivalents		3,679,288	4,519,024
Closing cash and cash equivalents		<b>648,454</b>	<b>3,679,288</b>

## FINANCIAL STATEMENTS

## Company Statement of Cash Flows

	Note	30-Jun-19 £	30-Jun-18 £
<b>Cash flow used in operating activities</b>			
Net cash used in operating activities	24	(7,579,304)	(11,928,671)
<b>Cash flow from/(used in) investing activities</b>			
Interest received	8	6,481	1,432
Additions to property, plant and equipment	10	(115,256)	(298,059)
Acquisition/Disposal of subsidiaries, net of cash acquired		45,000	(1,066,500)
Investment in Associate		(270,661)	(315,713)
Inter-company loans		(854,293)	(691,046)
Net cash used in investing activities		(1,188,730)	(2,369,886)
<b>Cash flow from / (used in) financing activities</b>			
Issue of equity share capital		6,000,000	13,700,466
Share Issue Costs		(192,107)	(357,717)
Net cash from financing activities		5,807,893	13,342,749
Net increase in cash and cash equivalents		(2,960,141)	(955,808)
Opening cash and cash equivalents		3,563,216	4,519,024
Closing cash and cash equivalents		<b>603,075</b>	<b>3,563,216</b>

## FINANCIAL STATEMENTS

# Notes to the Financial Statements

### 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 6. The registered number of the company is 08232509.

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. Principal activities are discussed in the Strategic report.

### 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 2018, 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 otherwise stated below. 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 2018.

The following standards and interpretations have been adopted:

- 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);
- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for accounting periods beginning on or after 1 January 2018).

#### 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 2019 or later periods but which the Company has not adopted early are as follows:

- IFRS 16 'Leases' (effective for accounting periods commencing 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. The impact of IFRS has been considered in note 23.

## Going concern

Gfinity has established itself as a market leader in the fast growing esports sector. Having delivered strong revenue growth for the second consecutive year, the Group is on track to achieve its target of break even at an adjusted operating profit level in the year to 30 June 2021.

At the end of the period the Group had cash and cash equivalents amounting to £648,454 and the Company had cash and cash equivalents amounting to £603,076. On 15 July 2019 the Group announced its intention to raise a further £5.25 million (prior to deduction of expenses) via a placing of shares on AIM. This placing was oversubscribed, with strong support from both new and existing shareholders. The transaction was approved by shareholders on 31 July 2019, with shares being admitted to AIM on 1 August 2019. The placing leaves the Group with a strong cash position from which to pursue its objectives, while the strong strategic client relations that Gfinity has built provide confidence of continued revenue and margin growth. In common with any growth business in a rapidly developing sector, however, it should be noted that there is an inherent degree of uncertainty in the forecasts.

Alongside the improved financial performance of the business, the oversubscribed nature of the recent placing, the continued strong support of existing shareholders and a growing investment market for the esports sector gives the Directors confidence that should there need to be a raise further funds, then the company would be successful in doing so. Accordingly, the board do not believe there to be a material uncertainty with regards to going concern, hence 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.

## Investment in Subsidiaries

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



## FINANCIAL STATEMENTS

## Notes to the Financial Statements (Continued)

**Revenue**

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

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group 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 once the relevant performance obligations are completed which is typically at the point the broadcast occurs.
- 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. The impact of the introduction of IFRS 16, Leases, on future accounting periods is discussed in note 23.

**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.

**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.

## FINANCIAL STATEMENTS

**Notes to the Financial Statements** (Continued)**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.

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 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	3 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 fair value is re-assessed at each period end with the movements recognised initially in the statement of other comprehensive income before being recycled to the income statement.



## FINANCIAL STATEMENTS

# Notes to the Financial Statements (Continued)

### 3. Critical Accounting Judgements 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 performance obligation. 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 the level of resource required to complete the performance obligation in comparison to the overall level of resource required to fulfil the contract. 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 an associate) is recognised based on the value stipulated in the contract for goods or services, which would be set at fair value, with the revenue then recognised based on 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 identified three intangible assets in relation to the two acquisitions undertaken in the prior year. As these assets have a finite economic life, in line with IAS 36, they are only subject to further testing for impairment when there are either internal or external indicators of impairment. Based on a review of these assets it was concluded that there were indicators of impairment in relation to the Gaming Platform and CEVO customer relationship. This followed a drop in revenue from third parties as CEVO focused on development in support of Group projects requiring an exercise to calculate the recoverable value of the asset. This is discussed below. Following further review it was concluded that there was no impairment to the Gaming Platform as the technology had underpinned the successful delivery of a number of events in the year. The further testing in relation to the customer relationship is discussed below.

**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. 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.

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. The development hours were based on the current pipeline of work and the technology requirements to deliver the strategic goals of the business which are then assumed to grow at a CAGR of 6% over a five year period. This was then compared against the cost to fulfil this work by paying a third party as discussed below. The cost savings established are a key determinant in whether there was any evidence of impairment. This was then evaluated over a five year period using a discounted cash flow.

The third-party cost for work was determined with reference to CEVO's own charge out rates with an assumed 5% CAGR growth in the hourly rate. This indicated a value of £1.8m higher than the carrying value of goodwill in relation to CEVO. Reducing development time by 10% has an impact of £0.2m.

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 (15% CAGR over five years, per Newzoo the esports industry will grow 20% to FY22) and the timing and successful execution of traffic monetisation strategies. Key costs related to content creation, staff, marketing and traffic acquisition. Where assumptions could not be validated based on historical data they have been benchmarked based on desk based research with a sensitivity considered for the timing of cash flows where monetisation had not yet occurred. Owing to Real Sport's pre-profit status the discounted cash flow was undertaken for a five year period with the terminal value then being calculated based on the year five cashflows with an assumed growth rate of 0.5%.

Based on the above the value of Real Sports was £3.0m higher than the carrying value. Reducing the CAGR for traffic growth by 5% has an impact of £0.7m while a 10% reduction has an impact of £1.4m. The impact of delaying certain monetisation strategies with traffic growth as per the base cost has had an adverse impact of £0.1m.

CEVO customer relationships: As revenue from third parties declined in the year it was necessary to test the third-party relationships for impairment. The test was based on a discounted cash flow covering the remaining useful economic life of the asset (three years) with the key assumptions being the discount rate (13%),

billable revenue per hour, the number of hours work undertaken and the staffing required to deliver the work. Based on the analysis the recoverable value of the asset was £0.3m requiring an impairment to the carrying value of £0.4m.

**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 9(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 21 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.

## 4. Revenue

The Group's policy on revenue recognition is as outlined in note 2. The year ending June 2019 included £0.9m included in the contract liability balance at the beginning of the period (2018: £nil).

The Group's revenue disaggregated by primary geographical markets is as follows:

	30 June 2019			30 June 2018		
	<b>Gfinity</b>	<b>CEVO</b>	<b>Total</b>	<b>Gfinity</b>	<b>CEVO</b>	<b>Total</b>
United Kingdom	7,082,948	-	7,082,948	3,007,511	-	3,007,511
North America	539,210	248,007	787,218	240,513	635,238	875,751
ROW	-	-	-	434,063	-	434,063
<b>Total</b>	<b>7,622,159</b>	<b>248,007</b>	<b>7,870,166</b>	<b>3,682,087</b>	<b>635,238</b>	<b>4,317,325</b>

The Group's revenue disaggregated by pattern of revenue of revenue recognition is as follows:

	30 June 2019			30 June 2018		
	<b>Gfinity</b>	<b>CEVO</b>	<b>Total</b>	<b>Gfinity</b>	<b>CEVO</b>	<b>Total</b>
Services transferred at a point in time	5,251,702	27,778	5,279,480	3,133,484	204,153	3,337,638
Services transferred over time	2,370,457	220,230	2,590,686	548,602	431,085	979,687
<b>Total</b>	<b>7,622,159</b>	<b>248,007</b>	<b>7,870,166</b>	<b>3,682,087</b>	<b>635,238</b>	<b>4,317,325</b>

As at 30 June 2019 the Group had the amounts shown below held on the consolidated statement of financial position in relation to contracts either performed in full during the year or ongoing as at the year end. All amounts were either due within one year or, in the case of contract liabilities, the work was to be performed within one year of the balance sheet date

	June 2019	June 2018
Trade Receivables	£1,085,158	£1,284,348
Contract Assets	£418,286	£447,849
Contract Liabilities	£521,010	£879,881

Trade receivables are non-interest bearing and are generally on 30 day terms.

Contract assets are initially recognised for revenue earned while the services are delivered over time or when billing is subject to final agreement on completion of the milestone. Once the amounts are billed the contract asset is transferred to trade receivables.

Contract liabilities arise when amounts are paid in advance of the delivery of the service. These are then transferred to the statement of comprehensive income as either milestones are completed or work is completed overtime. Revenue of £0.9m was recognised in the year ending 30 June 2019 that was held as a contract liability as 30 June 2018. All of these amounts were held in Gfinity.

## 5. 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 June 2019			30 June 2018		
	Gfinity	CEVO	Group	Gfinity	CEVO	Group
<b>Revenue</b>	7,622,158	248,007	<b>7,870,166</b>	3,682,087	635,238	<b>4,317,325</b>
<b>Loss</b>	(11,481,149)	(513,259)	<b>(11,994,408)</b>	(13,420,753)	(152,797)	<b>(13,573,550)</b>

Gfinity principally operate in the UK and CEVO principally in the US.

The group has four single external customers which have revenue equal to or greater than 10% of the group's revenue. The revenue from each of these customers is: £1.5m, £1.3m, £1.1m and £1.1m. The customers are major game publishers, media companies and sports rights holders. These revenues are attributed to the Gfinity segment.

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.



## 6. Operating Expenses

Operating loss is stated after charging:

	Group	
	Year ended 30 June 2019	Year ended 30 June 2018
Depreciation of property, plant and equipment	399,307	442,221
Amortisation & impairment of intangible fixed assets	1,036,163	418,797
Rentals under operating leases – land and buildings	613,861	609,373
Expensed development costs	190,308	190,517
Staff costs	5,648,905	4,567,202
Costs of inventories expensed	-	1,308
Auditors' remuneration for auditing the accounts of the company	47,500	21,000
Auditors' remuneration for other non-audit services:		
– Other services supplied pursuant to such legislation	-	-
– Other services related to taxation	2,500	1,500
– All other services	8,975	8,250
Net foreign exchange (gains)/ losses	24,546	(11,571)

## 7. 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 2019	Year ended 30 June 2018	Year ended 30 June 2019	Year ended 30 June 2018
62	61	53	58

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

	Group		Company	
	Year ended 30 June 2019	Year ended 30 June 2018	Year ended 30 June 2019	Year ended 30 June 2018
Wages and salaries	4,081,674	3,775,231	3,723,272	3,400,923
Social security costs	474,358	380,569	445,557	351,450
Pensions	42,871	22,769	41,744	21,642
Equity settled transactions	1,050,002	388,633	1,050,002	388,633
	5,648,905	4,567,202	5,260,575	4,162,648

Total remuneration for Directors during the year was £1,347,307 (2018: £572,910).

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

## 8. Finance Income/Costs

	Group	
	Year ended 30 June 2019	Year ended 30 June 2019
	£	£
Interest income on bank deposits	6,481	1,432
Interest cost	(1,583)	(1,333)

## 9. Taxation

(a) Major components of taxation expense for the period ended 30 June 2019 are:

	Group	
	Year ended 30 June 2019	Year ended 30 June 2019
	£	£
<b>Income statement</b>		
<i>Current tax</i>		
Corporation tax charge / (credit)	-	(153,000)
Total current tax	-	(153,000)
<i>Deferred tax</i>		
Relating to origination and reversal of temporary differences	(59,832)	(69,356)
Taxation charge / (credit) reported in the income statement	(59,832)	(222,356)

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

	Group	
	Year ended 30 June 2019	Year ended 30 June 2019
	£	£
Loss on ordinary activities before taxation	(12,054,190)	(13,795,906)
Profit / (Loss) multiplied by rate of tax	(2,290,296)	(2,621,222)
Effects of:	-	-
Expenses not deductible for tax purposes	401,150	103,345
Amortisation and impairment of intangibles	196,678	10,644
Movement in unrecognised tax losses	1,632,636	(153,000)
	(59,832)	-
Unrecognised deferred tax asset at 17%	5,615,448	2,437,877
Prior Year at 19%	2,578,032	(222,356)

(c) Unrecognised deferred tax asset

The Company has an unrecognised deferred tax asset arising from trading losses carried forward of £6,338,036 (2018: £4,666,946) calculated at the substantively enacted Corporation tax rate at the balance sheet date of 19% (2018: 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.

## 10. Property Plant and Equipment

### Group Property Plant and Equipment

	Office equipment £	Computer & production equipment £	Leasehold Improvement £	Total £
<b>Cost</b>				
At 1 July 2017	7,947	746,413	383,451	1,137,811
Additions	14,036	107,249	203,905	325,190
Disposals	0	0	0	0
<b>At 30 June 2018</b>	<b>21,983</b>	<b>853,662</b>	<b>587,356</b>	<b>1,463,001</b>
<b>Depreciation</b>				
At 1 July 2017	4,603	238,108	19,208	261,919
Charge for the period	4,927	264,093	173,202	442,222
Disposals	0	0	0	0
<b>At 30 June 2018</b>	<b>9,530</b>	<b>502,201</b>	<b>192,410</b>	<b>704,141</b>
Net book value				
At 30 June 2018	12,453	351,461	394,946	758,860
At 30 June 2017	3,344	508,305	364,243	875,892

### Group Property, Plant and Equipment Continued

	Office equipment £	Computer & production equipment £	Leasehold Improvement £	Total £
<b>Cost</b>				
At 1 July 2018	21,983	853,662	587,356	1,463,001
Additions	40,311	50,070	34,506	124,887
Disposals	0	(1,847)	0	(1,847)
Exchange differences		331		331
<b>At 30 June 2019</b>	<b>62,294</b>	<b>902,216</b>	<b>621,862</b>	<b>1,586,373</b>
<b>Depreciation</b>				
At 1 July 2018	9,530	502,201	192,410	704,141
Charge for the period	5,536	238,830	154,940	399,307
Disposals	0	(273)	0	(273)
Exchange Differences	-	85	-	85
<b>At 30 June 2019</b>	<b>15,066</b>	<b>740,843</b>	<b>347,350</b>	<b>1,103,260</b>
Net book value				
At 30 June 2019	47,228	161,373	274,513	483,113
At 30 June 2018	12,453	351,461	394,946	758,860

## Company Property, Plant and Equipment

	Office equipment £	Computer & production equipment £	Leasehold Improvement £	Total £
<b>Cost</b>				
At 1 July 2017	7,947	746,413	383,451	1,137,811
Additions	5,070	89,085	203,904	298,059
Disposals	0	0	0	0
<b>At 30 June 2018</b>	<b>13,017</b>	<b>835,498</b>	<b>587,353</b>	<b>1,435,870</b>
<b>Depreciation</b>				
At 1 July 2017	4,603	238,108	19,208	261,919
Charge for the period	2,365	258,531	173,202	434,098
Disposals	0	0	0	0
<b>At 30 June 2018</b>	<b>6,968</b>	<b>496,639</b>	<b>192,410</b>	<b>696,017</b>
Net book value				
At 30 June 2018	6,049	338,859	394,945	739,853
At 30 June 2017	3,344	508,305	364,243	875,892



**Company Property, Plant and Equipment continued**

	Office equipment £	Computer & production equipment £	Leasehold Improvement £	Total £
<b>Cost</b>				
At 1 July 2018	13,017	835,498	587,355	1,435,870
Additions	37,877	44,399	34,506	116,782
Disposals	0	(1,797)	0	(1,797)
<b>At 30 June 2019</b>	<b>50,894</b>	<b>878,100</b>	<b>621,861</b>	<b>1,550,855</b>
<b>Depreciation</b>				
At 1 July 2018	6,968	496,639	192,410	696,017
Charge for the period	5,536	235,532	154,940	396,008
Disposals	0	(273)	0	(273)
<b>At 30 June 2019</b>	<b>12,504</b>	<b>731,899</b>	<b>347,350</b>	<b>1,091,753</b>
Net book value				
At 30 June 2019	38,389	146,202	274,511	459,102
At 30 June 2018	6,049	338,859	394,945	739,853

## 11. Intangible Fixed Assets

### Group Intangible Fixed Assets

	Customer Relationship £	Real Sport Web Platform £	Gaming Platform £	Software Development £	Total £
<b>Cost</b>					
At 1 July 2017	-	-	-	148,750	148,750
Additions	1,198,661	935,518	281,383	-	2,415,562
<b>At 30 June 2018</b>	1,198,661	935,518	281,383	148,750	2,564,312
<b>Amortisation</b>					
At 1 July 2017	-	-	-	75,359	75,359
Charge for the period	223,969	92,524	52,721	49,583	418,797
<b>At 30 June 2018</b>	223,969	92,524	52,721	124,942	494,156
<b>Net book value</b>					
At 30 June 2018	974,692	842,994	228,662	23,808	2,070,156
At 30 June 2017	-	-	-	73,391	73,391

	Customer Relationship £	Real Sport Web Platform £	CEVO Gaming Platform £	Software Development £	Total £
<b>Cost</b>					
At 1 July 2018	1,198,661	935,518	281,383	148,750	2,564,312
Additions	-	-	-	-	-
<b>At 30 June 2019</b>	1,198,661	935,518	281,383	148,750	2,564,312
<b>Amortisation</b>					
At 1 July 2018	223,969	92,524	52,721	124,942	494,156
Charge for the period	239,732	312,696	56,431	23,808	632,667
Impairment	403,496				403,496
<b>At 30 June 2019</b>	867,197	405,220	109,152	148,750	1,530,319
<b>Net book value</b>					
At 30 June 2019	331,464	530,298	172,231	-	1,033,993
At 30 June 2018	974,692	842,994	228,662	23,808	2,070,156

## Company Intangible Fixed Assets

	Software Development £	Total £
<b>Cost</b>		
At 1 July 2017	148,750	148,750
Additions	-	-
At 30 June 2018	148,750	148,750
<b>Amortisation</b>		
At 1 July 2017	75,359	75,359
Charge for the period	49,583	49,583
At 30 June 2018	124,942	124,942
Net book value		
At 30 June 2018	73,391	73,391
At 30 June 2017	23,808	23,808

	Software Development £	Total £
<b>Cost</b>		
At 1 July 2018	148,750	148,750
Additions	-	-
At 30 June 2019	148,750	148,750
<b>Amortisation</b>		
At 1 July 2018	124,942	75,359
Charge for the period	23,808	49,583
At 30 June 2019	148,750	124,943
Net book value		
At 30 June 2019	-	-
At 30 June 2018	23,808	23,808

Software development costs refer to direct costs incurred in development of the Gfinity TV Player media player. The valuation of the Real Sport web platform has been based on the cost to Gfinity of acquiring Real Sport's traffic

## 12. Goodwill

### Group

	Goodwill £	Total £
<b>Cost</b>		
At 1 July 2018	2,544,525	2,544,525
Additions	-	-
<b>At 30 June 2019</b>	<b>2,544,525</b>	<b>2,544,525</b>
<b>Impairment</b>		
At 1 July 2018	-	-
Charge for the period	-	-
At 30 June 2019	-	-
Net book value		
At 30 June 2019	2,544,525	2,544,525
At 30 June 2018	2,544,525	2,544,525

The goodwill has arisen on the acquisitions of 100% of the share capital of CEVO Inc. and RealSM Ltd in the prior year. 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.

### 13. Investment in subsidiaries

	Company	
	30 June 2019	30 June 2018
	£	£
At 1 July	4,466,134	-
Investment in subsidiary	-	4,466,134
At 30 June	4,466,134	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 Inc.	USA	Ordinary shares	100%	IT Development and Tournament and event operator
RealSM Ltd	England	Ordinary Shares	100%	Online media

RealSM Ltd registered offices are The Foundry, 77 Fulham Palace Road, London, United Kingdom, W6 8JB. CEVO's registered address is 128 Maringo Rd, Ephrata, WA 98823.



## 14. Investment in Associates

	Group		Company	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	£	£	£	£
At 1 July	264,464	50,000	264,464	50,000
Investment	727,487	561,701	727,487	561,701
Share of Losses	(877,967)	(347,237)	(877,967)	(347,237)
Impairment	(113,984)		(113,984)	
At 30 June	-	264,464	-	264,464

The investment in associate relates to the acquisition of 33% of the Esports Awards Limited on its incorporation in February 2017 and 30% of Gfinity Australia on its incorporation in August 2017. On 14 August 2019 it was announced that Gfinity Australia would

close at the end of November 2019. As a result the carrying value of the investment was written off in full. Subsequent investments have maintained Gfinity's investment at the same percentage holding. Both investments are held in Gfinity plc.

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

Esports Awards LTD's registered offices are Belfry House, Champions Way, Hendon, London, England, NW4 1PX. The registered office of Gfinity Esports Australia is Suite 5, Level 1, 100 William Street, Sydney, NSW 2011.

## 15. Trade and Other Receivables

	Group		Company	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	£	£	£	£
Trade receivables	1,085,268	1,504,006	1,054,816	1,389,124
Provision for doubtful debts	(110)	(219,658)	(110)	(219,658)
	1,085,158	1,284,348	1,054,706	1,169,466
Other receivables	374,058	227,165	374,058	228,045
Amounts due from group undertakings	-	-	-	610,757
Amounts due from related undertakings	51,214	128,692	51,214	128,692
Prepayments and accrued income	710,933	519,664	647,321	447,729
Amounts due in less than one year	2,221,364	2,159,869	2,127,299	2,584,689
Amounts due from group undertakings	-	-	1,532,050	
Prepayments and accrued income	101,015		101,015	
<b>Total</b>	<b>2,322,379</b>	<b>2,159,869</b>	<b>3,760,364</b>	<b>2,584,689</b>

Amount due from group undertakings of £1,532,050 are considered to be due in more than one year (2018: £17,660) while prepayments include a rental deposit of £101,015 that is viewed as recoverable at the expiration of the lease in 2021.

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.

## 16. Cash and Cash Equivalents

	Group		Company	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	£	£	£	£
Cash at bank and in hand	598,324	3,629,182	552,946	3,513,111
Short term deposit	50,130	50,106	50,130	50,106
	648,454	3,679,288	603,076	3,563,217

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.

## 17. Trade and Other Payables

	Group		Company	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	£	£	£	£
Trade payables	1,448,232	666,337	1,412,800	621,879
Other taxation and social security	148,589	184,688	139,597	158,506
Accrued expenditure and deferred revenue	1,388,221	1,387,395	1,388,219	1,387,393
	2,985,042	2,238,420	2,940,616	2,167,778

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.

## 18. Derivative Financial Instruments

Group & Company		
	30 June 2019	30 June 2018
	£	£
<b>Derivative financial liabilities</b>		
Deferred shares	-	216,843

Deferred shares relate to the acquisition of CEVO Inc.. These were paid in full during the year. The value of the shares at acquisition was £325,264 with a change in value of £108,421 recognised in other comprehensive income at the June 2018 year end.

The shares were subsequently issued in September 2018 with the £108,421 recycled to the income statement along with a further £58,803 relating to the change in value between 30 June 2018 and the issue date.

## 19. 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:

Issued and fully paid	Number	£
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
Issued on 17 September at £0.10	1,548,877	1,549
Issued on 9 November at £0.08	75,000,000	75,000
As at 30 June 2019	362,897,087	362,897

## 20. 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 2019	Year to 30 June 2018	Year to 30 June 2019	Year to 30 June 2018
	£	£	£	£
Loss attributable to shareholders from continuing operations	(12,102,520)	(13,466,846)	(9,970,720)	(12,863,650)
Profit attributable to shareholders from discontinued operations	1,911			
	<b>Number 000's</b>	<b>Number 000's</b>	<b>Number 000's</b>	<b>Number 000's</b>
Weighted average number of ordinary shares	335,573	228,815	335,573	228,815
Loss per ordinary share for continuing operations	(0.04)	(0.06)	(0.03)	(0.06)
Profit per ordinary share for discontinued operations	0.00			





## 21. 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 2019. A total of 21,002,651 were granted in the year. No options were exercised during the year and 3,541,293 lapsed due to members of staff leaving. The total number of outstanding options in issue at 30 June 2019 is 54,359,795 (2018: 36,898,437).

	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)
<b>LTIP Share Options as at 30 June 2018</b>	<b>29,398,437</b>	<b>0.1549</b>

	Number	Weighted average exercise price £
<i>LTIP options</i>		
Shares Options as at 30 June 2018	29,398,437	0.1549
Shares Options Granted	21,002,651	0.1230
Share Options Forfeited	(3,541,293)	(0.1864)
<b>LTIP Share Options as at 30 June 2019</b>	<b>46,859,795</b>	<b>0.1382</b>

*Options for non-employee services*

<b>Non-market condition shares</b>	<b>Number</b>	<b>Weighted average exercise price £</b>
Shares Options as at 30 June 2018	7,500,000	n/a
Shares Options Granted	-	-
Share Options Lapsed	-	-
<b>Share Options as at 30 June 2019</b>	<b>7,500,000</b>	<b>n/a</b>

Options vest over periods defined in the respective option agreements and at the discretion of the board of directors. 10,726,129 options vested during the year (2018: 8,485,327).

Of the options outstanding 32,600,133 (2018: 12,429,241) 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.

	<b>Year ended 30 June 2019</b>	<b>Year ended 30 June 2018</b>
Weighted average exercise price	£0.1382	£0.1549
Average expected life	1.0 years	1.8 years
Expected volatility of options granted in year	90.02%	111.11%
Risk free rate	1.11%	1.14%
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 2019 was £0.1382 (2018: £0.1549). The weighted average fair value of options issued during the period was £0.1230 (2018: £0.1119).

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 £nil (2018: £0.0111).

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

## 22. 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 21. In addition to the share options granted in the year, Garry Cook and Graham Wallace also participated in the October 2019 share placing acquiring 100,000 and 25,000 shares respectively. These were purchased at the price of £0.08 in line with the amount paid by all other participants in the fund raise.

Transactions with Group subsidiaries in the year were inter-company loans from Gfinity to CEVO (£476,208, FY18: £236,274), Real Sport (£471,740 FY18: £347,843). The prior year included

an inter-company loan to Excel Interactive limited for £80,289, which was written off in full in the year, and Gfinity undertook transactions worth £18,989 with CEVO in the year ending June 2018.

Transactions with associates in the year were £98,600 of revenue from the Esports Awards LTD (£90,000 in the prior year) and £379,848 with Gfinity Australia (£269,893 in the prior year). These were billable activities based on market rates for delivering the services. At year end £51,214 remained outstanding from the Esports Awards LTD. £332,548 of the revenue from Gfinity Australia was settled via equity.

## 23. 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 2019	30 June 2018	30 June 2019	30 June 2018
	£	£	£	£
Less than one year	856,368	372,600	856,368	372,600
1 -2 Years	447,759	-	447,759	-
Total	1,304,127	372,600	1,304,127	372,600

In the year ending June 2020 the Group's accounts will be impacted by IFRS 16, Leases, which is effective for accounting periods commencing on or after 1 January 2019. If this had been in effect at the year ending 30 June 2019 both assets and liabilities would have increased by £1.3m.

## 24. Notes To The Cash Flow Statement

	Group		Company	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
<b>Cash flows from operating activities</b>				
Loss before taxation	(12,056,151)	(13,795,906)	(9,971,259)	(13,126,379)
<i>Adjustments for:</i>				
Depreciation of property, plant and equipment	399,307	442,221	396,008	434,097
Amortisation & impairment of intangible fixed assets	1,036,163	418,797	23,807	49,583
Interest Received	(6,481)	(1,432)	(6,481)	(1,432)
Share based payments	1,050,002	433,039	1,050,002	433,039
Fair Value Adjustment on Deferred Consideration	(166,504)	-	(166,504)	-
Share of Associate Losses	991,951	347,237	991,951	347,237
Revenue Settled Via Equity	(420,232)	(246,550)	(420,232)	(246,550)
Gain on disposal of subsidiary	-	-	(44,999)	-
Bad Debt Charge	28,925	125,191	28,925	
				207,198
<i>Changes in working capital:</i>				
Decrease/(Increase) in Inventories	-	-	-	-
(Increase)/ decrease in trade and other receivables	(191,435)	(624,724)	(350,307)	(543,679)
Increase in trade and other payables*	710,028	243,191	736,244	365,215
Corporation tax (paid)/ received	153,539	153,000	153,539	153,000
Cash used by operating activities	(8,470,887)	(12,505,936)	(7,579,304)	(11,928,671)
Interest paid	-	-	-	-
Net cash used by operating activities	(8,470,887)	(12,505,936)	(7,579,304)	(11,928,671)



## 25. 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.

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

Group		Company	
30 June 2019	30 June 2018	30 June 2019	30 June 2018
£	£	£	£
1,243,834	1,292,320	2,745,432	1,788,425

The trade receivables balance represents amounts due from third parties. At the balance sheet date, the Group's trade receivables totalled £1,085,268 less a provision of £110 (2018: £1,504,006 less a provision of £219,658). The Company's receivables include £1,532,050 of inter-company funding (2018: £610,757). The Company's trade receivables totalled £1,054,816 less a provision for doubtful debt of £110 (2018: £1,389,124 less a provision for doubtful debt of £219,658).

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 £905,026 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					
	June 2019		June 2018		
	USD (\$)	GBP (£)	USD (\$)	AUSD (\$)	GBP (£)
Trade and other receivables	882,474	441,582	901,508	35,393	1,262,719
Accrued income	80,783	354,674	88,762	-	380,646
Cash	316,422	399,288	377,085	-	3,380,358
Trade and other payables	(102,803)	(1,367,280)	(101,644)	(1,164)	(2,160,794)
Derivative Financial Instruments	-	-	-	-	(216,843)
Net Current Assets/Liabilities	<b>1,176,876</b>	<b>(171,736)</b>	<b>1,265,711</b>	<b>34,229</b>	<b>2,646,086</b>

Company					
	June 2019		June 2018		
	USD (\$)	GBP (£)	USD (\$)	AUSD (\$)	GBP (£)
Trade and other receivables	843,801	441,582	780,150	35,393	1,168,665
Accrued income		354,674		-	380,646
Cash	265,100	394,324	321,783	-	3,319,590
Trade and other payables	(86,079)	(1,345,017)	(68,424)	(1,164)	(2,115,304)
Derivative Financial Instruments	-	-	-	-	(216,843)
Net Current Assets/Liabilities	<b>1,022,822</b>	<b>(154,437)</b>	<b>1,033,509</b>	<b>(34,229)</b>	<b>2,536,754</b>

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.

**26. Deferred tax****Group**

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
At 1 July	(366,245)	-
Acquisition of subsidiary	-	(435,601)
Credited to profit or loss	43,525	69,356
At 30 June	(322,718)	(366,245)

The provision for deferred taxation is made up as follows:

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Temporary timing differences on intangible assets	322,718	366,245
At 30 June	322,718	366,245

## 27. Details of the sale of the subsidiary

### Profit on sale of subsidiary

	1 July 2018 to 30 June 2019	1 July 2017 to 30 June 2018
Consideration received or receivable:		
Cash	45,000	-
Total disposal consideration	45,000	-
Carrying amount of net assets sold	(37,982)	
<b>Gain on sale before income tax</b>	82,982	-
Tax expense on gain	(15,767)	
<b>Gain on sale after income tax</b>	67,215	-

### Losses of Subsidiary in the year

	1 July 2018 to 30 June 2019	1 July 2017 to 30 June 2018
Revenue	-	33,845
Cost of Sales	(17,914)	(19,574)
Gross Profit / (Loss)	(17,914)	14,271
Administrative Expenses	(47,389)	27,321
Profit / (Loss)	(65,303)	27,321

## APPENDIX

## Image Credits

Photographer	Page Credit
<b>Joe Brady</b>	Cover Image 1 Cover Image 2 Cover Image 3 Page 7 image 2 Page 7 image 3 Page 4 image 4 Page 16 Page 22 Page 29 Page 30

Photographer	Page Credit
<b>Chris Dart Photography</b>	Cover Image 4 Page 1

Photographer	Page Credit
<b>Ben Brotherton / F1</b>	Page 2 Page 7 image 1 Page 11 Page 18







35 New Bridge Street,  
London  
EC4V 6BW

[gfinityplc.com](https://gfinityplc.com)