

VGW ANNUAL REPORT 2018



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CORPORATE DIRECTORY

Directors

Nigel Blythe-Tinker – Executive Chairman
Laurence Escalante – Executive Director & Chief Executive Officer
Mats Johnson – Executive Director & Chief Marketing Officer
Lorenzo Escalante – Non-executive Director
Kenneth Alexander – Non-executive Director, appointed 18 January 2017 and resigned on 31 July 2018
Mark Potts – Non-executive Director, appointed 19 July 2017

Company secretaries

Rointon Nugara
Michael Thunder

Registered office & principal place of business

Level 11
Australia Place
15 - 17 William Street
Perth, WA 6000
Telephone: +61 2 8599 2507

Share registry

Advanced Share Registry Services
110 Stirling Hwy, Nedlands WA 6009

Auditor

Grant Thornton Audit Pty Ltd
Level 17, 383 Kent Street, Sydney, NSW 2000

Website

<https://vgw.co>

DIRECTORS' REPORT

The Directors of VGW Holdings Limited present their report together with the financial statements of the consolidated entity, (referred to hereafter as the "consolidated entity" or "Group") for the year ended 30 June 2018.

Principal activities

During the year, the principal activities of the entities within the Group were development and distribution of social casino games offering virtual currency gaming and sweepstakes cash prize contests. There have been no significant changes in the nature of these activities during the year.

The majority of the Group's customers are based in North America.

Review of operations and financial results

Revenue from operations totalled \$379.6 million, representing a substantial increase on prior year - up \$280.0 million or 281%. Note though that FY 2017 revenue has been restated in line with the adoption of AASB 15: Revenue from Contracts with Customers. The restatement decreased FY 2017 revenue by \$14.4 million and increased current liability by \$20.3 million, as part of recognising revenue on a deferred basis.

The growth in FY 2018 was driven by a significant increase in effective and targeted marketing spend, along with deployment of successful proprietary content and games, leading to higher and generally more profitable paying customers. Marketing spend was \$68.9 million (2017: \$30.4m). The year under review included the first full year of revenue for the Global Poker product: \$172.9 million (2017: \$10.3m, as restated).

Sweepstakes prizes of \$238.7 million (2017: \$65.7m) and merchant and payment related fees of \$17.9 million (2017: \$4.5m) increased in line with revenue.

Operating expenditure increased to support revenue growth. Employee costs grew significantly through a large increase in headcount in Perth, Sydney, US, Philippines and Malta offices. Key areas with significantly increased spend included technology, property and occupancy and professional fees.

The consolidated profit after tax of the Group amounted to \$5.0 million (2017: loss of \$23.2m, as restated).

As of 30 June 2018, the Group is in a net asset deficit position of \$8.9 million primarily due to the initial adoption of AASB 15: Revenue from Contracts with Customers with an effective date of 1 January 2018. The impact of the initial application of this Standard necessitated a restatement of the FY 2017 comparative financial statements. Further, the adoption contributed to a negative net working capital of \$21.6 million as deferred revenue of \$37.6 million has been recognised as of 30 June 2018.

The Group generated a net operating cash inflow of \$16.5 million. A net investing outflow of \$8.2 million reflected the ongoing development of new products and infrastructure to expand the Group's product offering. A net financing cash inflow of \$2.4 million was recorded from the proceeds of shares issued on exercise of options (\$1.2 million); and a further \$1.2 million received from the settlement of loan funded shares.

The Directors believe the Group remains in a strong position to finance the expected expansion of its operations. Revenue and margin growth, together with a measured growth in operating costs, are in line with the Group's strategic goals and deliverables.

DIRECTORS' REPORT

Significant Changes in State of Affairs

During the year, the following changes occurred within the Group:

- On 14 August 2017, the Group acquired certain assets of Open Wager, Inc. (OW), an entity incorporated in Nevada, USA but with principal operations in California and Colorado, providing social casino platform and content licensing, for a consideration of US\$0.5 million. Further to the asset purchase, the Company then considered the possibility of engaging a number of OW's employees given their detailed knowledge of the acquired assets. All OW's employees were to be terminated as a result of its cessation of operations. Accordingly, the Company incorporated VGW US, Inc., a wholly owned subsidiary, on 28 August 2017, and on 1 September 2017, VGW US, Inc. employed the employees.
- On 16 August 2017, the Malta Gaming Authority granted VGW Group, Class 1 and Class 3 remote gaming licences. Further to this, on 1 May 2018 VGW Holdings Limited transferred its social gaming operations to Malta.
- As part of the Group's entity restructure, on 29 December 2017 VGW Holdings US Inc. and VGW Luckyland Inc. were incorporated. Further, VGW Corporation Pty Ltd was incorporated on 4 January 2018.
- The Group's continued and rapid growth has facilitated the creation of a number of new functional areas including: Product Innovation and Incubation; and Project Management and the Risk and Projects Office. The Group is also in the process of establishing a software development team in the Republic of Korea.

Events after the Reporting Period

On 31 July 2018, Mr. Kenneth Alexander resigned from the Company's Board and Board Committees. Mr Alexander's decision was due to significantly increased work commitments in his principal role as Chief Executive of GVC Holdings plc.

Likely Future Developments

The Group's strategic focus is to further expand its product offerings in its key North American market, as well as to new geographic locations.

Environmental Legislation

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

DIRECTORS' REPORT

DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

Name, qualifications & independence status	Experience, special responsibilities and other directorships
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Nigel BLYTHE-TINKER Executive Chairman VGW Holdings Limited	<ul style="list-style-type: none">• Nigel holds a Bachelor of Laws degree (LL.B) and is a Fellow of the Institute of Chartered Secretaries and Administrators (FCIS) of the United Kingdom. He is also a member of the Governance Institute of Australia.• He has extensive UK and international corporate experience over thirty years covering M&A, corporate finance, restructuring, AIM and FTSE 100 flotations, and corporate governance.• Nigel has held senior executive/legal and board positions within companies in the financial services, insurance, industrial and leisure and gaming sectors in mainly public listed companies. He was Group Company Secretary & Head of Legal at William Hill PLC. He was also Non-executive Chairman of Gaming VC Plc, a FTSE 100 listed company.• Prior to joining VGW, Nigel held the role of Chairman of Pentasia Limited, an i-Gaming recruitment business.• Director from 15 August 2015.
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Laurence ESCALANTE Executive Director VGW Holdings Limited	<ul style="list-style-type: none">• Laurence is the Founder of VGW and has been the Managing Director since the Company's founding in 2010.• Laurence has 13 years' experience as an executive, founder and investor in the game industry, founding VGW Holdings Limited, Anino Mobile and White Knight Games.• He studied Economics and Actuarial Studies at Macquarie University in Sydney and has 10 years financial planning experience as a technical and investment specialist, working as an advisor with AMP, ANZ and boutique financial advisory firms.• Director from 4 November 2010.
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Mats JOHNSON Executive Director VGW Holdings Limited	<ul style="list-style-type: none">• Mats is a senior technology and online gaming executive with significant experience in establishing and growing both public and private online business globally.• He has previously held roles as a Director at Coral Eurobet, General Manager at Centrebet and CEO at Playsafe.• He has led large teams and formulated global expansion strategies and operational plans delivering significant and profitable growth in both new and established markets.• Mats has 17 years of digital and gaming sector expertise, alongside comprehensive M&A experience, having been actively involved in several successful exits of online gaming companies, including the £2.18Bn sale of Coral Eurobet to Gala Group.• Director from 1 November 2015.
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DIRECTORS' REPORT

DIRECTORS (Continued)

Name, qualifications & independence status

Experience, special responsibilities and other directorships

Lorenzo ESCALANTE

Non-executive Director
VGW Holdings Limited

- Lorenzo is an IT Business Intelligence specialist, with over 30 years' experience in the corporate IT sector.
- He has specialised in business intelligence tools in BusinessObjects and Tableau, having worked with BHP, AAPT, ING Australia, ANZ Wealth and LandCorp in their BI systems both in Sydney and in Perth.
- He is a member of the Australian Institute of Company Directors.
- Director from 5 August 2014.

Kenneth ALEXANDER

Non-executive Director
VGW Holdings Limited

- Kenneth has extensive experience in the online real money gaming sector having served as Chief Executive of GVC Holdings PLC, a FTSE 100 and London Stock Exchange listed entity, since March 2007
- He holds a Bachelor's degree in accountancy from Glasgow University and is a Chartered Accountant with the Institute Chartered Accountants of Scotland.
- Director from 18 January 2017 to 31 July 2018.

Mark POTTS

Non-executive Director
VGW Holdings Limited

- Mark is an experienced and leading global technology executive with more than 30 years' experience in large corporations and start-ups.
- Most recently Mark was the world-wide CTO and VP for Corporate Strategy at Hewlett-Packard Enterprise in the US.
- Mark currently holds numerous board positions including Resolute Mining, Decimal Software Ltd. and iCetana.
- Director from 19 July 2017.

Company Secretary

Mr Rointon Nugara continues as company secretary, a position held since 2015.
Mr Michael Thunder was also appointed as company secretary on 9 March 2018.

Meetings of Directors	Full Board		Remuneration Committee		Audit Committee	
	Attended	Held	Attended	Held	Attended	Held
Nigel Blythe-Tinker	13	13	1	1	4	4
Laurence Escalante	13	13	1	1	2	4
Mats Johnson	12	13	-	-	-	-
Lorenzo Escalante	12	13	1	1	2	4
Mark Potts	13	13	1	1	3	3
Kenneth Alexander	11	13	1	1	4	4

Held represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Dividends

No dividends were paid during the financial year (2017: NIL).

 DIRECTORS' REPORT

Unissued shares under option

Unissued ordinary shares of VGW Holdings Limited at the date of this report are:

Options issued under	Grant Date	Number of Options	Expiry Date	Exercise Price
LTIP Tranche 1 (a)	1 Jan 2017	333,333	1 Jan 2022	0.20
LTIP Tranche 1 (b)	31 Jan 2017	11,595,170	31 Jan 2020	0.20
LTIP Tranche 1 (c)	31 Jan 2017	29,456,088	31 Jan 2020	0.20
LTIP Tranche 1 (d)	3 Apr 2017	166,666	3 Apr 2020	0.20
LTIP Tranche 2 (a)	27 Nov 2017	9,135,488	31 Jan 2020	0.20
LTIP Tranche 2 (b)	27 Nov 2017	333,333	1 Jan 2022	0.20
LTIP Tranche 2 (c)	27 Nov 2017	533,333	11 Apr 2021	0.20
LTIP Tranche 3 (a)	27 Nov 2017	6,288,529	31 Jan 2020	0.20
LTIP Tranche 3 (b)	27 Nov 2017	333,333	1 Jan 2022	0.20
STI for Executives	29 Jan 2018	1,082,500	31 Jan 2021	0.20
Capital raise	30 Dec 2016	1,707,770	30 Dec 2018	0.20
Capital raise	31 Jan 2017	1,028,806	31 Jan 2019	0.20
TOTAL		61,994,349		

The above options were issued in accordance with below:

1. Long-term Incentive Plan (LTIP) and Short-term Incentive Plan (STI)

In January 2017, VGW established a Long-Term Incentive Plan (LTIP) which is part of VGW's reward strategy in support of the achievement of the Company's business strategy. On 29 January 2018, the Company issued a further tranche of options to executives under the terms of the LTIP.

2. Free-attaching options issued as part of a Capital Raise

In December 2016, the Company undertook a small round capital raise. This involved the issue of shares at 16.2 cents per share together with one free-attaching option for every three shares issued at an exercise price of 20 cents per share. These options expire within two years from grant date. A total of \$1.3m was raised.

DIRECTORS' REPORT

Shares issued during or since the end of the year as a result of exercise

During or since the end of the financial year, VGW Holdings Limited issued ordinary shares as a result of the exercise of options as follows:

Date options granted	Issue price of shares	Number of shares issued
30 December 2016	\$0.20	20,576
14 August 2015	\$0.15	8,289,612
TOTAL		8,310,188

Directors' Interest

The relevant interest of each Director or their associated entities in the share capital of VGW Holdings Limited as at 30 June 2018 is as follows:

Mr Nigel Blythe-Tinker	7,035,802 ordinary shares
Mr Laurence Escalante	353,970,645 ordinary shares
Mr Mats Johnson	308,643 ordinary shares
Mr Kenneth Alexander	375,000 ordinary shares
Mr Mark Potts	250,000 ordinary shares
Mr Lorenzo Escalante	NIL

The relevant interest of each Director or their associate entities in unissued ordinary shares of VGW Holdings Limited under option as at 30 June 2018 are:

	Date options granted	Expiry date	Exercise price	Number of options
Mr Nigel Blythe-Tinker	29 Jan 2018	31 Jan 2021	0.20	243,750
Mr Nigel Blythe-Tinker	31 Jan 2017	31 Jan 2022	0.20	7,000,200
Mr Nigel Blythe-Tinker	31 Jan 2017	31 Jan 2019	0.20	823,045
Mr Laurence Escalante	29 Jan 2018	31 Jan 2021	0.20	300,000
Mr Laurence Escalante	31 Jan 2017	31 Jan 2022	0.20	10,328,720
Mr Mats Johnson	29 Jan 2018	31 Jan 2021	0.20	92,500
Mr Mats Johnson	31 Jan 2017	31 Jan 2022	0.20	4,169,124
Mr Mats Johnson	30 Dec 2016	30 Dec 2018	0.20	102,880
Mr Lorenzo Escalante	31 Jan 2017	31 Jan 2022	0.20	425,846
Mr Kenneth Alexander	27 Nov 2017	31 Dec 2021	0.20	333,333
Mr Kenneth Alexander	1 Jan 2017	31 Dec 2021	0.20	333,333
Mr Mark Potts	27 Nov 2017	31 Jan 2020	0.20	166,666
Mr Mark Potts	3 April 2017	3 April 2020	0.20	166,666

DIRECTORS' REPORT

Insurance of officers

During the year, the Company paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer of the Group against a liability incurred as such by an officer.

Indemnity of auditors

The Group has agreed to indemnify its auditors, Grant Thornton, to the extent permitted by law, against any claim by a third party arising from the Group's breach of its agreement. The indemnity requires the Group to meet the full amount of any such liabilities including a reasonable amount of legal costs.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 10 of the financial report.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Rounding of Amounts

The Company is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the Directors:



Laurence ESCALANTE

Director

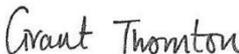
22 October 2018

Auditor's Independence Declaration

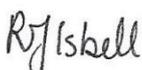
To the Directors of VGW Holdings Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of VGW Holdings Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd
Chartered Accountants



R J Isbell
Partner – Audit & Assurance

Sydney, 22 October 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

From continuing operations	Note	Consolidated entity	
		2018 \$'000	2017 \$'000
Revenue	4	379,582	(Restated) 99,494
Sweepstakes prizes		(238,679)	(65,735)
Merchant fees		(17,882)	(4,454)
Revenue share		(939)	(2,752)
Finance income	5	182	87
Finance costs	5	(543)	(61)
Other financial items	5	(3,008)	(1,180)
Other income	5	7	209
Marketing and advertising fees	5	(68,887)	(30,394)
Legal and professional fees		(9,237)	(5,049)
Employee benefits expense	7	(17,551)	(6,819)
Share-based payments expense		(1,091)	(2,794)
Depreciation and amortisation expense		(2,198)	(1,065)
Technology and other communication expense		(3,554)	(987)
Property and occupancy expense		(1,283)	(473)
General and administration expense		(2,290)	(1,200)
		(366,953)	(122,667)
Income (loss) before income tax		12,629	(23,173)
Income tax expense	6	(7,622)	-
Income (loss) for the year attributable to members of the Group		5,007	(23,173)
Other comprehensive income, net of income tax		105	-
Total comprehensive income/(loss) for the year attributable to the owners of VGW Holdings Limited		5,112	(23,173)
Earnings per share		Cents	Cents
From continuing operations:			(Restated)
- Basic earnings (loss) per share	22	0.90	(5.20)
- Diluted earnings (loss) per share	22	0.90	(5.20)

This Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2018

	Note	Consolidated entity	
		2018 \$'000	2017 \$'000 (Restated)
Assets			
Current assets			
Cash and cash equivalents	8	18,051	7,433
Trade and other receivables	9	1,990	1,901
Other current assets	10	25,419	2,182
Total current assets		45,460	11,516
Non-current assets			
Property, plant and equipment	12	925	177
Right-of-use	13	5,614	-
Intangible assets	14	10,970	5,247
Deferred tax assets	6	189	-
Total non-current assets		17,698	5,424
Total assets		63,158	16,940
Liabilities			
Current liabilities			
Trade and other payables	15	12,089	9,861
Deferred revenue	16	37,561	20,307
Provisions	17	9,208	4,396
Current tax liabilities	6	7,812	-
Lease liability	13	416	-
Borrowings		-	60
Total current liabilities		67,086	34,624
Non-current liabilities			
Lease liability	13	4,927	-
Total non-current liabilities		4,927	-
Total liabilities		72,013	34,624
NET ASSETS		(8,855)	(17,684)
Equity			
Share capital	19	22,244	19,314
Convertible notes	19	250	250
Reserves		4,120	4,152
Accumulated losses		(35,469)	(41,400)
TOTAL EQUITY		(8,855)	(17,684)

This Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Share Capital	Convertible Notes	Share Option Reserve	Foreign Currency Reserve	Accumulated Losses	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated entity						
Balance at 1 July 2016	17,895	250	1,228	-	(12,360)	7,013
Change in accounting policy	-	-	-	-	(5,867)	(5,867)
Issue of share capital	1,567	-	-	-	-	1,567
Attaching options on issue of shares	(130)	-	130	-	-	-
Employees' Long-term incentive plan share options	-	-	2,794	-	-	2,794
Transaction costs on share issue	(18)	-	-	-	-	(18)
Loss for the year	-	-	-	-	(23,173)	(23,173)
Balance as at 30 June 2017, (restated)	19,314	250	4,152	-	(41,400)	(17,684)
Balance at 1 July 2017 (restated)	19,314	250	4,152	-	(41,400)	(17,684)
Issue of share capital	1,730	-	(304)	-	-	1,426
Reclassification of options which have lapsed	-	-	(924)	-	924	-
Employees' long-term incentive plan share options	-	-	1,091	-	-	1,091
Settlement of loan funded share	1,200	-	-	-	-	1,200
Other comprehensive income	-	-	-	105	-	105
Profit for the year	-	-	-	-	5,007	5,007
Balance as at 30 June 2018	22,244	250	4,015	105	(35,469)	(8,855)

The Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated entity	
		2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from customers		396,780	114,000
Payment to suppliers and employees		(380,504)	(110,289)
Interest received		182	87
Government grants received		7	202
Net cash from operating activities	25	16,465	4,000
Cash flows from investing activities			
Payments for property, plant and equipment		(825)	(178)
Payment for intangibles and development expenditure		(7,410)	(513)
Investment in term deposit		-	(1,507)
Net cash from investing activities		(8,235)	(2,198)
Cash flows from financing activities			
Proceeds from issue of shares		2,448	1,362
Capital raising costs		-	(18)
Redemption of convertible notes		-	(150)
Net (repayments)/proceeds from borrowings		(60)	(52)
Net cash from financing activities		2,388	1,142
Net increase in cash and cash equivalents		10,618	2,944
Cash and cash equivalents at beginning of year		7,433	4,489
Cash and cash equivalents at end of year	8	18,051	7,433

The Consolidated Statements of Cash Flows are to be read in conjunction with the notes to the financial statements.

1 GENERAL INFORMATION AND STATEMENT OF COMPLIANCE

The financial report includes the consolidated financial statements and notes of VGW Holdings Limited and controlled entities ("Group").

The Group has elected to adopt the Australian Accounting Standards – Reduced Disclosure Requirements (established by AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting arising from Reduced Disclosure Requirements).

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001. VGW Holdings Limited is a for-profit entity for the purpose of preparing financial statements.

The consolidated financial statements for the year ended 30 June 2018 were approved and authorised for issue by the Board of Directors on 22 October 2018.

2 NEW AND REVISED STANDARDS THAT ARE EFFECTIVE FOR THESE FINANCIAL STATEMENTS

A number of new and revised standards became effective for annual periods beginning on or after 1 July 2017. Information on the more significant standard(s) is presented below.

AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses.

AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

AASB 2016-1 is applicable to annual reporting periods beginning on or after 1 January 2017.

AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

AASB 2016-2 is applicable to annual reporting periods beginning on or after 1 January 2017.

2 NEW AND REVISED STANDARDS THAT ARE EFFECTIVE FOR THESE FINANCIAL STATEMENTS (Continued)

• *AASB 15 Revenue from Contracts with Customers*

The Group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2017 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in AASB 15, the Group has adopted the new standards retrospectively by restating the prior comparative reporting period.

In summary, the following adjustments were made to restate the FY 2017 financial statements:

In '000	As Previously Reported 30 June 2017	Impact of AASB 15	As Restated 30 June 2017
Revenue	113,934	(14,440)	99,494
Deferred Revenue	-	20,307	20,307
Equity	(21,093)	(20,307)	(41,400)

Accounting for Purchase of Gold Coins

Prior to adopting AASB 15, revenue (net of refunds and chargebacks) was recognised in full at the point when gold coin packages were purchased as the right to receive revenue had been established.

With the adoption of AASB 15, revenue is deferred and recognised over a period, determined by the Company as being representative of player retention. The methodology used for determining the retention period involved examining the monthly gold coin playing patterns of Chumba Casino players over an eighteen-month period using historical data, to ascertain player lifetimes. The same retention period has been applied to Global Poker as it remains a relatively new product with a profile that is evolving towards that of Chumba. The players' retention period will be evaluated from time to time to reflect players' behaviour.

This new basis of recognition has resulted in a material adjustment to revenue for both the year under review and the prior year comparatives. Revenue deferred is treated as a current liability.

Note: no part of the proceeds from gold coins is attributed to the sweepstakes cash, which is only ever given away for free as a promotional tool.

• *AASB 16 Leases*

The Group has early-adopted AASB 16 Leases from 1 July 2017 using the modified retrospective approach and therefore the comparative financial information has not been restated.

Policy applicable from 1 July 2017

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When it is assessed that a contract conveys the right to control the use of an identified asset, the Group recognises a right-of-use asset and recognises a lease liability. The Group has applied the cost model to right-of-use assets and depreciates these assets using the straight-line method. Refer to Note 13.

3. SUMMARY OF ACCOUNTING POLICIES

Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

a. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the Parent and its subsidiaries as at 30 June 2018. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Details for the subsidiaries are provided in Note 11: Controlled Entities.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances, unrealised gains or losses on transactions between the group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group. All subsidiaries have a reporting date of 30 June.

b. Income Tax

The income tax expense/(benefit) for the year comprises current and deferred income tax expense/(benefit).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are therefore measured at the amounts expected to be paid to/(received from) the relevant taxation authority, using tax rates enacted or substantively enacted at the reporting date.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year. Current and deferred income tax expense/(benefit) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss. Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the realised asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

VGW Holdings Limited and its wholly-owned Australian-controlled entity have not elected to implement tax consolidation legislation.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

c. Property, Plant and Equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present (refer to note 3(f) for details of impairment).

The cost of fixed assets includes the expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the assets useful life to the Group commencing from the time the asset is held ready for use. Depreciation is recognised in profit or loss.

The depreciation rate used for the class of depreciable assets are:

- Furniture and Fittings 1 - 5 years
- Office and Computer Equipment 3 years
- Software 3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

d. Leases

Policy applicable before 1 July 2017

Where the Group is a lessee, payments on operating lease agreements were recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, were expensed as incurred.

Policy applicable from 1 July 2017

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the effective interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. The Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability include: (i) fixed payments; (ii) variable lease payments that depend on an index or a rate, amounts; (iii) amounts expected to be payable under a residual value guarantee; and (iv) the exercise price under a purchase option or renewal option that the Group is reasonably certain to exercise, and penalties for early termination of a lease unless the Group is reasonably certain of not terminating early.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

d. Leases (Continued)

The lease liability is measured at the amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the consolidated profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Where the Group is a lessee for short-term leases and leases for which the underlying asset is of low value, payments on these lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

e. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that a commitment is made to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at cost plus transaction costs, except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are recognised immediately as expenses in profit or loss. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method less any impairment losses.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged or cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

f. Impairment

All impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the statement of comprehensive income.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

g. Intangibles other than Goodwill

Software and website development costs

Software and website development costs are capitalised only when the company identifies that the project will deliver future economic benefits and these benefits can be measured reliably.

Software development costs have a finite life and are initially recorded at cost and amortised on a systematic basis over five to eight years matched to the future economic benefits over the useful life of the asset.

h. Employee Benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and annual leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and annual leave are recognised as part of current trade and other payables in the statement of financial position.

Equity-settled compensation

The Group operates an employee share and option plan. Share-based payments are amortised over the vesting periods. The corresponding amount is recorded in the share-based payment reserve.

i. Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

The Group has adopted a policy of recognising a liability for cashable sweepstakes.

j. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits held at call with banks and payment platforms, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)**k. Revenue****Policy applicable from 1 July 2017****Chumba Facebook Revenue**

Revenue from player purchases via Facebook is recognised on a gross basis before taking into account the service fee on revenue charged by Facebook.

Player purchases of gold coins are recognised as revenue based on the player retention period and amortised accordingly. Deferred revenues are treated as current liability.

Chumba and Global Poker Revenue

Revenues from player purchases on the Chumba and Global Poker websites are recognised gross of merchant fees. The risks and rewards of the revenue earned lie with the Company and not with payment platform providers. Merchant fees are recognised as an expense in the period they are incurred.

Player purchases of gold coins are recognised as revenue based on the player retention period and amortised accordingly. Deferred revenues are treated as current liability.

Interest income

Interest income is reported on an accrual basis using the effective interest method.

Grants

Grants are recognised as income when the right to receive them has been established.

l. Trade and Other Receivables**Current**

Trade and other receivables include amounts due from Facebook for player purchases made through Facebook in the ordinary course of business.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment. Trade receivables are generally due for settlement within 30 days. Due to their short-term nature, they are measured at amortised cost and are not discounted.

Other receivables are recognised at amortised cost, less any provision for impairment.

m. Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Group during the reporting period that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

n. Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from the ATO are presented as operating cash flows included in payment to suppliers.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

o. Critical Accounting Estimates and Judgements

The preparation of the financial statement requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates may differ to actual results.

Except for revenue recognition and early adoption of the AASB 16: Leases, these consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimating uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2017. The policy on cashable sweepstakes has been retrospectively applied for the financial year commencing 1 July 2015, with changes on Global Poker provisioning per below.

(i) Capitalisation of Software Development Costs

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

(ii) Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

(iii) Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

(iv) Provisioning of Cashable Sweeps for Global Poker

Management estimates the provision for cashable sweepstakes, considering the most reliable evidence available at each reporting period.

Based on Global Poker Players' cash-out historical behaviour observed over a period of time, the Group determined that it is more appropriate to provision 60% of the period end balance of cashable sweeps than the previous 100%. The Group will continue to monitor whether there are any indicators that the provision percentage should be revised.

(v) Revenue recognition

Effective from the comparative date, the Group has adopted AASB 15: Revenue Contracts with Customers. With the adoption of this Standard, revenue is recognised over the retention period of the players, which will be re-evaluated from time to time to consider changes in player behaviour. Prior to this, revenue was recognised when the right to receive the revenue has been established. The right to receive revenue was determined to be when the gold coins are purchased.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

p. Going Concern

The consolidated financial statements have been prepared on a going concern basis, notwithstanding the net asset deficiency and negative net working capital position at 30 June 2018. The following matters have been considered by the Directors in determining the appropriateness of the going concern basis of preparation of the financial statements.

- The net liability in the statement of financial position is principally due to the initial adoption of AASB 15: Revenue from Contracts with Customers;
- Net profit for the period ended 30 June 2018 of \$5.0 million. This was due to the significant revenue growth from the Group's existing products as well as new product launches; and
- The Group generated a net operating cash inflow of \$16.5 million for the financial year ended 30 June 2018.

The Directors believe that the Group will be able to continue as a going concern and accordingly, the financial statements have been prepared on a going concern basis.

q. Foreign Currency Transactions and Balances

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars (AUD), which is also the functional currency of the Group.

Functional currency transactions and balances

Foreign currency transactions are translated into functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not re-translated at year-end and are measured at historical cost (translated using the exchange rates at the date of transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the Australian Dollar (AUD) are translated into AUD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into AUD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into AUD at the closing rate. Income and expenses have been translated into AUD at the average rate over the reporting period. Exchange differences are charged and/or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

r. Rounding of Amounts

The Company is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar.

4. REVENUE

The Group's revenue may be analysed as follows for each of the major product:

	2018	2017
	\$'000	\$'000
Revenue from Continuing Operations		(Restated)
From Chumba website	204,398	84,691
From Facebook	2,056	4,514
From Global Poker website	172,864	10,289
From Luckyland	264	-
Total revenue	379,582	99,494

5. OTHER INCOME (COSTS) AND EXPENSES

	2018	2017
	\$'000	\$'000
Finance income		
Interest income	182	87
	182	87
Finance costs		
Interest expense	(112)	(35)
Bank and other financial intermediary charges	(431)	(26)
	(543)	(61)
Other financial items		
Foreign currency realised (loss)/gains	(3,485)	34
Foreign currency unrealised gains/(loss)	477	(1,214)
	(3,008)	(1,180)
Other income		
Export Marketing Development Grant	-	202
Job Action Plan	7	-
Refund of gaming license application	-	7
	7	209
Marketing and advertisements		
Marketing Facebook	(65,729)	(29,235)
Marketing Non-Facebook	(3,158)	(1,159)
	(68,887)	(30,394)

6. INCOME TAX EXPENSE

	2018	2017
	\$'000	\$'000
Current tax expense/(benefit)		(Restated)
Current year	7,811	(5,722)
Deferred tax expense /(benefit)		
Current year including deferred tax expense/(benefit) on losses	(56)	4,078
Expected income tax expense/(benefit)	7,755	(1,644)
Income tax benefit not brought into account (including unused tax losses for which no DTA has been recognised)	6,706	(1,644)
Adjustments for current and deferred tax of prior periods	(6,839)	-
Actual tax expense	7,622	-

Numerical reconciliation between tax expense to prima facie tax payable

Profit/(loss) before tax	12,629	(23,173)
Income tax calculated at 30% (2017: 30%)	3,789	(6,951)
(Decrease)/increase in income tax expense/(benefit) due to:		
Difference in overseas tax rates	1,512	-
Non-allowable items (permanent differences)	2,454	1,229
Subtotal	7,755	(5,722)
Deferred tax asset not brought to account	-	(4,078)
Subtotal	7,755	(1,644)
Adjustments for current and deferred tax of prior periods	(6,839)	-
Income tax benefit not brought into account (including unused tax losses for which no DTA has been recognised)	6,706	1,644
Actual tax expense	7,622	-

The franking account balance at the end of the year was NIL (2017: NIL). Unused tax losses were incurred by Australian entities and overseas subsidiaries.

Net deferred tax assets have been brought to account as it is probable within the immediate future that tax profits will be available against which deductible temporary differences can be utilised.

Deferred tax assets on losses have not been recognised.

Movements in deferred tax assets/(liabilities) balances (\$'000)

	Opening balance	Recognised in profit or loss	Closing balance
Temporary differences			
Deferred Tax Assets (DTA)			
- Accruals	-	568	568
- Provisions	-	-	-
- Other	-	442	442
Total DTA	-	1,010	1,010
Deferred Tax Liabilities (DTL)			
- Intangibles, prepayments and other	-	821	821
Total DTL	-	821	821
Net, DTA (DTL)	-	(189)	189

7. EMPLOYEE BENEFITS EXPENSE

Expenses recognised for employee benefits are analysed below:

	2018	2017
	\$'000	\$'000
Wages and salaries	(14,178)	(5,560)
Social security payments	(1,458)	(461)
Other employee related benefits	(1,915)	(798)
	(17,551)	(6,819)

8. CASH AND CASH EQUIVALENTS

	2018	2017
	\$'000	\$'000
Cash at bank	11,432	5,608
Funds with payment service provider	6,619	1,825
	18,051	7,433

The funds with payment service providers included above are immediately accessible and has the same liquidity as cash, therefore classified as cash and cash equivalents.

9. TRADE AND OTHER RECEIVABLES

	2018	2017
CURRENT	\$'000	\$'000
Trade receivables	237	179
Other receivables		
GST/VAT receivable	1,692	1,651
Other	61	71
	1,990	1,901

The trade receivables are current and have been fully paid or settled after balance sheet date. The Other is a receivable of \$61,000 from Lance East Corporation, a related party. A payment of \$37,000 was received from Lance East subsequent to balance sheet date.

10. OTHER CURRENT ASSETS

	2018	2017
	\$'000	\$'000
Prepayments	2,597	592
Deposits and bonds	180	83
Term deposits	-	1,507
Bank guarantee and reserves	22,642	-
	25,419	2,182

\$6.6 million bank guarantee and \$14.2 million reserves were restricted funds required from VGW's payment platform service provider. The \$6.6 million bank guarantee was fully released on 31 August 2018. The remaining bank guarantees are a requirement for lease agreement purposes.

11. CONTROLLED ENTITIES

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the parent entity. The assets of the subsidiaries have been consolidated on a line-by-line basis in the consolidated financial statements of the Group. Financial statements have not been prepared for the subsidiary as it has not traded since incorporation.

The proportion of ownership interests held equals the voting rights held by the Group.

Name	Incorporation/ Registration Date	Country of Incorporation	Ownership Interest	
			31 Dec 2017	30 June 2017
Virtual Gaming Worlds Inc.*	8 Nov 2010	Belize	100.00%	100.00%
VGW Malta Holding Limited ^	19 Apr 2016	Malta	99.93%	99.93%
VGW Holdings US Inc.	29 Dec 2017	United States	100.00%	-
VGW Corporation Pty Ltd	4 January 2018	Australia	100.00%	-

Wholly owned subsidiaries of VGW Malta Holding Limited:

VGW Malta Limited ^	9 Mar 2016	Malta	99.93%	99.93%
VGW RMG Limited	10 Aug 2016	Malta	100.00%	100.00%
VGW Sports Limited ^	5 Oct 2016	Malta	99.93%	99.93%
VGW Administration Malta Limited ^	7 Oct 2016	Malta	99.93%	99.93%
VGW GP Limited ^	23 Nov 2016	Malta	99.93%	99.93%

Wholly owned subsidiaries of VGW Holdings US Inc.

VGW US, Inc.	28 Aug 2017	United States	100.00%	-
VGW Luckyland, Inc.	29 Dec 2017	United States	100.00%	-

* In the process of de-registration

^ VGW Corporation Pty Ltd holds the remaining 0.07%

12. PROPERTY, PLANT AND EQUIPMENT

Details of the Group's property, plant and equipment and their carrying amount are as follows:

	Furniture & Fittings	Software	Office & Computer Equipment	Leasehold Improvement	TOTAL
Cost					
Balance, 1 July 2017	5	5	215	-	225
Additions	25	38	645	216	924
Disposals	-	-	(4)	-	(4)
Balance, 30 June 2018	30	43	856	216	1,145
Accumulated Depreciation					
Balance, 1 July 2017	(2)	(1)	(45)	-	(48)
Depreciation	(6)	(14)	(152)	-	(172)
Balance, 30 June 2018	(8)	(15)	(197)	-	(220)
Carrying amount, 30 June 2018	22	28	659	216	925

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Furniture & Fittings	Software	Office & Computer Equipment	TOTAL
Cost				
Balance, 1 July 2016	1	-	49	50
Additions	4	5	169	178
Disposals	-	-	(3)	(3)
Balance, 30 June 2017	5	5	215	225
Accumulated Depreciation				
Balance, 1 July 2016	-	-	(11)	(11)
Depreciation	(2)	(1)	(34)	(37)
Disposals	-	-	-	-
Balance, 30 June 2017	(2)	(1)	(45)	(48)
Carrying amount, 30 June 2017	3	4	170	177

13. LEASES

The Group leases office premises. Information about leases for which the Group is a lessee is presented below:

	2018 \$'000	2017 \$'000
Right-of-use		
Balance, 1 July	-	-
Additions	5,814	-
Depreciation expense	(200)	-
Balance, 30 June	5,614	-
Lease Liabilities		
Less than one year	416	-
More than one year	4,927	-
Amounts recognised in profit or loss		
Interest expense on lease liabilities	(111)	-
Rent expense relating to short-term leases	(1,270)	(424)

14. INTANGIBLE ASSETS

Summary of license capitalisation and software development costs

	2018	2017
	\$'000	\$'000
Cost		
Balance, 1 July	8,952	8,304
Additions	7,556	648
Balance, 30 June	16,508	8,952
Accumulated Amortisation		
Balance, 1 July	(3,705)	(2,677)
Amortisation	(1,824)	(1,028)
Foreign currency adjustment	(9)	-
Balance, 30 June	(5,538)	(3,705)
Net book value, 30 June	10,970	5,247

15. TRADE AND OTHER PAYABLES

	2018	2017
	\$'000	\$'000
CURRENT		
Trade payables	9,087	9,214
Other payables and accruals	3,002	647
	12,089	9,861

All amounts are short term. The carrying value of trade payables, other payables and accruals are considered to be a reasonable approximation of fair value.

16 DEFERRED REVENUE

The Group has adopted AASB 15: Revenue from Contracts with Customers effective 1 July 2017. Consequently, revenue from player purchases are deferred over the player's retention period. Deferred revenue represents player purchases that are yet to be recognised as revenue over the remaining retention life of the players. The balance as of 30 June 2018 is \$37.6 million (FY 2017: \$20.3 million, as restated).

17 PROVISIONS

All provisions are considered current. The carrying amounts and movements in the provisions are as follows:

	Sweepstakes	Annual Leave	Make Good	TOTAL
Balance, 1 July 2017	3,970	426	-	4,396
Amounts charged as expenses	3,652	591	6	4,249
Amounts recognised as an asset	-	-	563	563
Balance, 30 June 2018	7,622	1,017	569	9,208

The provision for Sweepstakes Liability represents cashable sweepstakes of players that are active within sixty days. Under the Sweepstakes rules, the cashable sweepstakes of players not active within sixty days expire. The cancellation of sweepstakes of players not active within sixty days was adopted from 1 July 2015 for Chumba. However, the cancellation of sweepstakes of players not active within sixty days for Global Player has not been applied.

Effective 31 December 2017, provisioning for Global Poker cashable sweeps is at 60% of period end balance which amounts to \$6.4 million. The Group deems that a 60% provision for Global Poker is more appropriate based on historical behaviour of players.

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value measurement of financial instruments

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

30 June 2018	Note	Fair Value	Carrying amount	
			Amortised Cost	Other Financial Liabilities
Financial assets not measured at fair value				
Cash and cash equivalents	8		18,051	
Trade and other receivables	9		1,990	
			20,041	
Financial liabilities not measured at fair value				
Trade and other payables	15		12,089	
			12,089	

30 June 2017	Note	Fair Value	Carrying amount	
			Amortised Cost	Other Financial Liabilities
Financial assets not measured at fair value				
Cash and cash equivalents	8		7,433	
Trade and other receivables	9		1,901	
Term deposits	10		1,507	
			10,841	
Financial liabilities not measured at fair value				
Trade and other payables	15		9,861	
Loans payable			60	
			9,921	

There were no transfers between Level 1 and level 2 during the period. There were also no changes during the period in the valuation techniques used by the Group to determine Level 2 fair values.

19. ISSUED CAPITAL

	Consolidated entity			
	2018 Shares	2017 Shares	2018 \$'000	2017 \$'000
Fully paid ordinary shares, net of share issue cost	556,358,317	450,331,892	22,244	19,314

	Number	Restated Value (\$'000)
Movements in ordinary share capital		
Opening balance, 1 July 2016, net of share issue cost	962,141,464	19,123
Conversion of performance shares (b)	360,000,000	-
Total no. of shares prior to consolidation (a)	1,322,141,464	
Effect of consolidation of shares on 3:1 basis (a)	440,713,653	19,123
Issuance of shares to Cubeia	818,506	129
Issuance of shares as payment of director's fees	375,000	75
Issuance of pre -IPO shares	8,271,493	1,340
Conversion of share options	153,240	23
Free attaching options on issuance of shares	-	(1,358)
Share issue cost	-	(18)
Closing balance, 30 June 2017	450,331,892	19,314
Opening balance, 1 July 2017, net of share issue cost	450,331,892	19,314
Conversion of performance shares (c)	96,666,666	-
Issuance of shares to Cubeia (d)	849,571	137
Conversion options into ordinary share (e)	8,310,188	1,553
Issuance of shares as payment of services	200,000	40
Settlement of loan funded shares (Note 21 a)	-	1,200
Closing balance, 30 June 2018	556,358,317	22,244

(a) On 3 November 2016, the Company sought and received shareholder approval for a 3:1 consolidation of its shares and other equities on issue. At that date, the Company had 1,322,141,464 ordinary shares on issue converted to 440,713,653 ordinary shares on issue.

(b) On 14 August 2015 at an extraordinary meeting held by the shareholders, it was approved that the Company cancel 650,000,000 shares held by its main shareholder, Lance East Corporation, a related entity of Mr. Laurence Escalante, by way of a selective capital reduction, on the condition that it would be issued 650,000,000 performance shares subject to the Company meeting certain milestones as follows:

Performance Shares	Number of shares	Performance Milestones
Class A	120,000,000	Achievement of \$10m in audited annual revenue
Class B	120,000,000	Achievement of \$20m in audited annual revenue
Class C	120,000,000	Achievement of \$30m in audited annual revenue
Class D	120,000,000	Achievement of \$40m in audited annual revenue
Class E	120,000,000	Achievement of \$50m in audited annual revenue
Class F	50,000,000	Achievement of \$100m in audited annual revenue

19. ISSUED CAPITAL (Continued)

In October 2016, Classes A, B & C totalling 360 million performance shares were converted into ordinary shares, as milestones were achieved. These shares, along with the Company's other securities, were subsequently consolidated on a 1-for-3 basis as approved by Shareholders at the Company's Annual General Meeting held on 3 November 2016.

- (c) In October 2017, 290 million or 96.7 million (post 1:3 consolidation) performance shares were converted to ordinary shares as performance milestones for Class D, E and F were achieved.
- (d) During the year, the Company issued 849,571 ordinary shares valued at \$137,000 to Cubeia Sweden AB, in accordance with the Poker Software License Agreement signed in August 2016.
- (e) In an earlier capital raise in the period between June and August 2015, the Company issued a total of 97,362,112 free-attaching options over issued shares or interest in the Company. The options were standard call options exercisable at \$0.05 (pre-consolidation) per share over a two-year period. Post the 1-for-3 consolidation, the number of options was 32,453,990, with an exercise price of \$0.15, and which expired on 23 June 2017 and 24 August 2017. Approximately 8.3 million options had been exercised, with the remainder cancelled at the expiry dates.

As part of the Company's capital raise in December 2016 and January 2017, 2,757,152 free-attaching options were issued on a 3-for-1 basis with an exercise price of \$0.20. These options have a two-year expiry from date of issue.

The three convertible notes issued in November 2010, and classified as equity, are valued at \$250,000 (2017: \$250,000), with a conversion price of 6 cents, converting to 4,166,667 ordinary shares. These notes bear no interest and have no maturity date. The Company has received undertakings from the three note holders that prior to the Company listing on the ASX, the notes would be fully converted.

20 Related Party Transactions

The Group's main related parties are as follows:

a. Parent entity and controlled entities

VGW Holdings Limited ("the parent") exercises control over its subsidiaries: Virtual Gaming Worlds Inc., VGW Malta Holding Ltd., VGW Malta Ltd., VGW Administration Malta Ltd., VGW RMG Ltd., VGW Sports Ltd., VGW GP Ltd., VGW Holdings US Inc., VGW US, Inc. and VGW Luckyland, Inc. The parent and the subsidiaries are collectively referred to as the "consolidated entity" and are constituent parts of these consolidated financial statements. Accordingly, the subsidiaries are considered as related parties in the separate financial statements of the parent entity rather than in the consolidated financial statements.

b. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

Key management personnel remuneration includes the following

	2018	2017
	\$'000	\$'000
Total key management personnel remuneration	2,781	4,218

FY 2018 key management personnel included \$0.1 million in options expense whilst this was \$1.8 million in the prior year.

20. RELATED PARTY TRANSACTIONS (Continued)

c. Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel individually or collectively with their close family members. Refer to Note 9.

Equity interests in VGW Holdings Limited

The following officeholders and/or their related entities hold interests in the Company as at 30 June 2018 as follows:

(1) Shares

Officeholder Interests	Holding %	No. of Shares
Mr Laurence Escalante	63.62	353,970,645
Mr Nigel Blythe-Tinker	1.26	7,035,802
Mr Rointon Nugara	1.20	6,697,531
Mr Kenneth Alexander	0.07	375,000
Mr Mats Johnson	0.06	308,643
Mr Mark Potts	0.04	250,000

(2) Options	Date Options Granted	Expiry Date	Exercise Price	Number of Options
Mr Laurence Escalante	29 Jan 2018	31 Jan 2021	0.20	300,000
Mr Laurence Escalante	31 Jan 2017	31 Jan 2022	0.20	10,328,720
Mr Nigel Blythe-Tinker	29 Jan 2018	31 Jan 2021	0.20	243,750
Mr Nigel Blythe-Tinker	31 Jan 2017	31 Jan 2022	0.20	7,000,200
Mr Nigel Blythe-Tinker	31 Jan 2017	31 Jan 2019	0.20	823,045
Rointon Nugara	29 Jan 2018	31 Jan 2021	0.20	83,750
Rointon Nugara	29 Jan 2017	31 Jan 2020	0.20	1,728,720
Rointon Nugara	30 Dec 2016	30 Dec 2018	0.20	10,288
Mr Kenneth Alexander	27 Nov 2017	31 Dec 2021	0.20	333,333
Mr Kenneth Alexander	1 Jan 2017	31 Dec 2021	0.20	333,333
Mr Mats Johnson	29 Jan 2018	31 Jan 2021	0.20	92,500
Mr Mats Johnson	31 Jan 2017	31 Jan 2022	0.20	4,169,124
Mr Mats Johnson	30 Dec 2016	30 Dec 2018	0.20	102,880
Mr Mark Potts	27 Nov 2017	31 Jan 2020	0.20	166,666
Mr Mark Potts	3 April 2017	3 April 2020	0.20	166,666
Mr Lorenzo Escalante	31 Jan 2017	31 Jan 2022	0.20	425,846

21. SHARE-BASED PAYMENTS

a. Loan Funded Share Arrangements

The shares are exercised upon vesting date and are paid for via non-recourse loans. The loans will be repaid to the Company when the shares are sold. The shares have voting and dividend rights but are not transferable. Unvested shares are forfeited if the employee is no longer employed by the Company. The loan funded share was accounted for as a share-based payment by recognising an expense and a credit to equity. Loan repayments are recorded as a credit in equity.

On 30 April 2018 and 17 May 2018, VGW Holdings Limited received \$0.2 million and \$1.0 million respectively as settlement of loan funded shares by two holders of such shares. This has been recognised directly in equity.

b. Share Options

In January 2017, VGW established a Long-Term Incentive Plan (LTIP) which is part of VGW's reward strategy in support of the achievement of the Company's business strategy. Tranche 1 options were granted in January and April 2017. These options vests immediately, therefore, there were no vesting conditions. Tranche 2 and 3 options were approved on by VGW's shareholders in its annual meeting on 27 November 2017. The key terms and conditions related to the options issued are disclosed below. The fair value of the share options has been measured using the Black-Scholes method. The inputs used in the measurement of the fair values at grant date of the options were as follows:

LTIP	Grant Date	Number of Options	Contractual Life of Option	Fair Value	Share Price	Exercise Price
Tranche 1 (a)	1 Jan 2017	333,333	5 years	.0613	0.146	0.20
Tranche 1 (b)	31 Jan 2017	11,595,170	5 years	.0813	0.146	0.20
Tranche 1 (c)	31 Jan 2017	29,456,088	3 years	.0613	0.146	0.20
Tranche 1 (d)	3 Apr 2017	166,666	3 years	.0613	0.146	0.20
Tranche 2 (a)	27 Nov 2017	9,135,488	2 years	.0800	0.20	0.20
Tranche 2 (b)	27 Nov 2017	333,333	4 years	.0613	0.20	0.20
Tranche 2 (c)	27 Nov 2017	533,333	2 years	.0800	0.20	0.20
Tranche 3 (a)	27 Nov 2017	6,288,529	2 years	.0600	0.146	0.20
Tranche 3 (b)	27 Nov 2017	333,333	3 years	.0613	0.146	0.20

On 28 January 2018, 1,082,500 options were granted to executives as short-term incentive. These options vests immediately:

STI	Grant Date	Number of Options	Contractual Life of Option	Fair Value	Share Price	Exercise Price
Executives	29 Jan 2018	1,082,500	3 years	0.100	0.200	0.20

22. EARNINGS PER SHARE

	30 June 2018	30 June 2017
	\$'000	\$'000
Income (loss) after income tax attributable to the owners of VGW Holdings Limited	5,007	(Restated) (23,173)
	Number of Shares	Number of Shares
Weighted average number of shares used in calculating basic and diluted earnings per share	555,898,617	445,957,336
	Cents	Cents
Basic income (loss) per share	0.90	(Restated) (5.20)
Diluted income (loss) per share	0.90	(5.20)

On 3 November 2016, the shareholders approved the consolidation of its shares on a 3-for-1 basis. As such, The Company has accounted for the retrospective adjustment to its calculation of the basic and diluted earnings per share in accordance with AASB 133, Earnings Per Share.

23. COMMITMENTS

	2018	2017
	\$'000	\$'000
Lease Commitments - operating		
Committed at reporting date but not recognized as liabilities		
Within one year	1,455	801
One to five years	876	148
	2,331	949

Operating lease commitments includes contracted amounts for various office space under non-cancellable operating leases expiring within less than a year, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

24. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

	2018	2017
	\$'000	\$'000
Statement of profit or loss and other comprehensive income		
Income/(loss) for the year	20,290	(2,242)
Other comprehensive income	3,913	-
Total comprehensive income	24,203	(2,242)
Statement of financial position		
Total current assets	41,173	11,178
Total assets	55,156	17,288
Total current liabilities	80,572	14,317
Total liabilities	85,499	14,317
Equity	(30,343)	2,971

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1.

25. CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Profit after Income Tax

	2018	2017
	\$'000	\$'000
Profit (loss) after income tax	5,007	(Restated) (23,173)
Non-cash flows in profit:		
Amortisation	1,825	1,028
Depreciation	373	37
Share-based payments expense	1,091	2,794
Cost related to borrowings	-	8
Loss on disposal of assets	2	3
Professional fees settled via issuance of shares	40	75
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
(increase) in trade and other receivables	(89)	(1,370)
(increase) in prepayments	(2,005)	(520)
(increase) in bonds and deposits	(21,232)	-
increase in trade payables and accrued expenses	2,144	6,956
increase in provisions	4,243	3,722
increase in current tax liabilities	7,812	-
increase in deferred revenue, net of AASB 15 transition adjustment	17,254	14,440
Cash flow from operations	16,465	4,000

26. AUDITORS REMUNERATION

Fees paid or payable to the Company's auditors are as follows:

	2018	2017
	\$'000	\$'000
Audit Services		
Audit of financial statements – Grant Thornton Audit Pty Ltd	148	47
	148	47
Non-Audit Services		
Tax and debt advisory services – Grant Thornton Australia Limited	657	194
	805	241

27. BUSINESS COMBINATION

On 14 August 2017, VGW Holdings Limited acquired certain assets of Open Wager, Inc. (OW) (in liquidation) for the purchase consideration of US\$0.5 million (A\$0.67m).

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	\$'000
Consideration transferred	671
Identifiable assets acquired and liabilities assumed at cost:	
Intangible assets (software)	671
Total net identifiable assets and liabilities:	671
Goodwill / (bargain purchase)	-

The values identified in relation to the above business combination is final as of 30 June 2018.

28. EVENTS AFTER THE REPORTING PERIOD

On 31 July 2018, Mr. Kenneth Alexander resigned from the Company's Board and Board Committees. Mr Alexander's decision was due to significantly increased work commitments in his principal role as Chief Executive of GVC plc.

29 CONTINGENT LIABILITIES

There are no contingent liabilities or assets that have been incurred by the Group in relation 2018.

In August 2016, the Group entered into a Poker Software License Agreement with Cubeia Sweden AB, a provider of online poker systems based in Stockholm, Sweden. Amongst the considerations is that the licensee shall pay Cubeia a sum of fourteen days gross revenue eighteen months after the effective date, which is 11 August 2016. As of 30 June 2018, this contingent liability has been fully settled.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and Notes set out on pages 12 to 37, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company's and the Group's financial position as at 30 June 2018 and of their performance for the financial year ended on that date;

(ii) complying with Australian Accounting Standards and Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company and the Group Entities identified in Note 11 will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Laurence ESCALANTE

Director

22 October 2018

Independent Auditor's Report

To the Members of VGW Holdings Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of VGW Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's Annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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.

Responsibilities of the Directors' for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group'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 to cease operations, or have no realistic alternative but to do so.

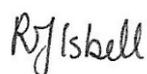
Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd
Chartered Accountants



R J Isbell
Partner – Audit & Assurance

Sydney, 22 October 2018