

Gfinity plc
Annual Report and
Financial Statements
30 June 2020



Company number 08232509

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Strategic Report

Directors, Secretary and Advisors

The Board of Directors

Neville Upton (Chairman)
John Clarke (Chief Executive Officer)
Jonathan Hall (Chief Financial and Operations
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

Canaccord Genuity Limited
88 Wood Street
London, EC2V 7QR

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

“A year of transition, with a new management team and a clear targeted operational focus”

Financial Highlights

- Focus on higher value and higher margin revenue streams, driving 167% improvement in gross profit to £2.8m (2019: £1.0m) despite a reduction in revenue to £4.5m (2019: £7.9m)
- 36% reduction in adjusted operating loss¹ to £5.5m (2019: £8.6m). (Excluding restructuring costs, the adjusted operating loss reduced by 40% to £5.2m)
- Operating cost base reduced by 50% due to major restructuring of business in March 2020
- Adjusted administrative expenses² of £8.3m (2019: 9.6m), down 13% year on year. Excluding restructuring costs, adjusted administrative expenses down 17%
- Cash and cash equivalents at year end of £1.6m (2019: £0.6m), plus £2.0m of unexercised warrants. Following the significant cost reduction announced in March 2020, this leaves the business well capitalised to deliver against the market opportunities in the growing esports sector

Business Highlights

- Strategic review completed in March to sharpen operational focus and define clear plan for growth and monetisation
- Significant growth and expansion of newly launched digital media group, Gfinity Digital Media - expected to generate revenue of over £2m in financial year 2021
- Focus on establishing partnerships to leverage expertise and deliver innovative new ideas that capture the imagination of gamers around the world
 - Five-year agreement with Abu Dhabi Motorsport Management (ADMM) to deliver the Global Racing Series (GRS)
 - Partnered with BT Sport to deliver a series of celebrity-led gaming entertainment shows
 - Partnered with Viacom CBS to deliver Street Fighter experiential event at Vidcon London 2020
- Selected by world's biggest brands to provide esports solutions, part of its commitment to building communities for others
 - Multi-year agreement with Formula 1 for F1 Esports Series. Production of “Making an esports champion” and delivery of F1 Esports Virtual Grand Prix
 - Selected to partner with Amazon to design, develop and deliver The Twitch Prime Crown Cup
 - Expanded relationship with Premier League to deliver ePL, ePL USA and ePL Invitational Tournament
- Additional appointments by NBA, HP Omen esports and Willow TV
- Gfinity Esports Platform (GEP) developed to include four tech IP owned products; Competition, Game Control, Community and Virtual Production

Post-Period Highlights

- Gfinity Plus launched for the Company's online community, providing incentives, discounts and chat functionality
- Season 4 of F1 Esports Series to be delivered virtually by Gfinity utilising proprietary virtual production service
- First product of Global Racing Series, the V10 R-League, goes live with commercial distribution rights signed with BT Sport, STARZPLAY Arabia and ESPN
- Appointed by Cadbury to deliver a new gaming tournament in the UK

¹ Adjusted Operating Loss is the operating loss before depreciation of property, plant and equipment, amortization and the share-based payment charge. For consistency with prior years, the figure does include depreciation charged on right of use assets that were recognised as operating leases in the year ended 30 June 2019.

² Adjusted Administrative Expense is administrative expenses, adjusted for the same items as in the Adjusted Operating Loss.

Strategic Report

Gfinity At A Glance

About Gfinity

Gfinity (AIM: GFIN) 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 both to provide 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. Relationships include EA SPORTS, Activision Blizzard, F1 Esports Series and the Forza Racing Championship.

Gfinity connects directly with tens of millions of gamers each month through its digital media group, Gfinity Digital Media. Gfinity Digital Media includes websites such as: Gfinityesports, RealSport101 and StealthOptional and their respective social channels.

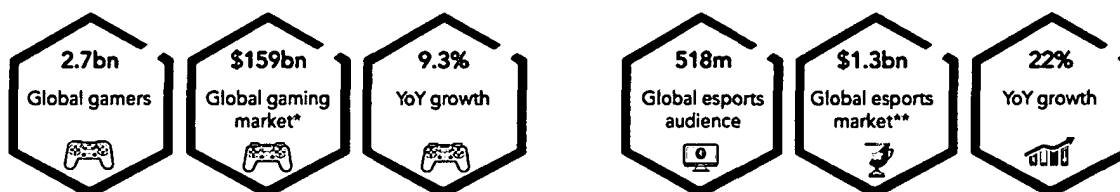
All Gfinity services are underpinned by the Company's proprietary technology platform delivering a level playing field for all competitors and supporting scalable multi-format leagues, ladders and knockout competitions.

INVESTMENT SUMMARY

- A market leader in large and fast-growing sector
- Business model evolved to reflect rapidly developing and COVID 19 Impacted market
- Clear plan for growth and monetization - owned; co-owned; and fee plus
- Sharpened strategic focus in 3 areas where we have traction and competitive advantage, each with strong revenue levers:
 1. Gfinity Digital Media Group
 2. Partnerships
 3. Building communities for others utilising owned Tech IP
- Underpinned by continued focus on consumer insights

KEY DEVELOPMENTS IN SECTOR

Young consumers have said no to passive entertainment, traditional television. And a big yes to interactive entertainment, which is gaming. Gaming is now fully mainstream and it is massive



- Gaming activity significantly increased during lockdown period
- Move away from major in person events to online activity and virtually produced content
- Entering into peak period for gaming related spend with new console launches and related release of new titles
- Significant growth in traffic to gamer centric/hobbyist websites

Strategic Report

Gfinity At A Glance

	DIGITAL MEDIA GROUP (OWN)	PARTNERSHIPS (CO-OWN)	BUILD COMMUNITIES FOR OTHERS (SERVICE/LICENSE BASED)
DEVELOP	<ul style="list-style-type: none"> Wholly owned, gamer centric websites 10 million users 641% growth in 12 months Optimised for ad serving. Q3/Q4 2020 - bumper period for the industry due to launch of new games consoles 	<ul style="list-style-type: none"> Ideas that capture the imagination Partners that value and benefit from our expertise <ul style="list-style-type: none"> creative; production; game operations; community building; commercial True partnership - shared investment, paid for services, shared risk, shared commercials 	<ul style="list-style-type: none"> Commercially viable programmes for publishers, sports rights holders, brands and media organisations Utilise company owned tech IP Design esports programmes and competitions <ul style="list-style-type: none"> virtual and on-line reason to care content Community building - written and video content
DELIVERY	<ul style="list-style-type: none"> Continue to grow existing sites Innovate - 3 new language sites added New gamer hobby sites New advertising and video service delivery partners 	<ul style="list-style-type: none"> Abu Dhabi Motorsport Management - 5 year partnership Global Racing Series - First product, V10 R League New innovative formats, designed for broadcast Top racing teams; global distribution; commercial partnerships 	<ul style="list-style-type: none"> Formula 1 esports - multi-year agreement ePremier league - on-line and offline events BT Sport - world class production Activision Blizzard - UK's only Call of Duty World League event Tech IP - Tournament platform; Race Control; forums and chat
MONETISATION	<ul style="list-style-type: none"> CPM - programmatic static and video ads CPA - affiliate sales; e-commerce Brand partnerships - site takeovers 	<ul style="list-style-type: none"> Fee for services Shared commercial rights, 50-50 Content rights; sponsorship; advertising; Ancillary revenues (in-game purchases) 	<ul style="list-style-type: none"> Service fee License fee Limited commercial rights - sponsorship commission

Strategic Report

Chairman's Report

I have great pleasure in presenting our annual accounts for the financial year-ended 30 June 2020. This year has been one of transition for Gfinity and we come to the end of our financial year well positioned for future growth, with a sharpened strategic focus, a new management team and a sound financial footing.

More broadly, the year has been shaped by the COVID-19 pandemic which has impacted the lives of everyone around the world. I would like to take the opportunity to thank our colleagues for their continued hard work and dedication during these challenging times.

The Market

The Board of Gfinity remains highly confident in the prospects and position of the Company, especially as market dynamics are rapidly, and permanently, changing in favour of the Group's offering. As gaming has become more mainstream, Gfinity has increasingly noticed a number of trends: global publishers at all levels are seeking to expand the life time value of their audiences; brands are looking for new and innovative ways to expand into the gaming and esports space; sports rights holders are increasingly looking to connect with the younger and typically hard to reach gaming audiences, and; broadcasters are in growing need of new competitive gaming entertainment content.

The unprecedented changes caused by the COVID-19 pandemic have acted as a catalyst towards the continued growth and popularity of video games, esports and competitive gaming. Around the world, there are currently 2.2 billion gamers and close to 1 billion fans of esports and competitive gaming. These gamers are playing and consuming content at a level that surpasses anything seen before in traditional sport. Today, gaming is an integral part of the way young people live their lives. Digitisation has changed the way they socialise, engage and spend their entertainment time. Gfinity is at the heart of the esports and competitive gaming ecosystem and, as one of the first movers in the esports world, is trusted by gamers and brands alike to design and deliver compelling content and gameplay across all levels.

Restructuring

In March we announced a change in management team and appointed John Clarke as CEO. John has led a review of the business which has resulted in the cost base being halved and a new sharpened strategic operational focus in three areas where we have competitive strength and momentum. These are products and services that we own (Gfinity Digital Media), co-own (partnerships) and building communities for others. We have seen positive traction in each of our three strategic areas and now have a clear pathway to profitability.

COVID-19

The COVID-19 pandemic has seen the cancellation of most fan-attended events. While this initially meant that a number of our client events at the Gfinity Arena were postponed, we saw a significant increase in demand for virtual broadcasts from our partners and clients as they recognised how crucial esports and digital engagement with fans is to their future. The changes brought about by the pandemic have been a wake-up call. We believe that there will continue to be significant demand for Gfinity's experience and capability in creating unique solutions for its partners and customers, enabling brands to build databases of fans and grow their relationships both through content and game-play.

People

We have always prided ourselves on the dedication, can-do spirit and innovative thinking of our people. This has been evident throughout the year but in particular these qualities have shone through since lockdown where they have delivered some of the most innovative and highly-praised esports programmes. They have also worked hard to deliver new solutions and develop technical IP that will continue to give us a competitive edge in the years to come, whilst also building one of the fastest growing gamer communities on the planet.

Strategic Report

We are also very proud to work with many prestigious partners and clients I would like to take this opportunity to thank them all for their trust in us and their continuing support.

In closing, while the macro-economic outlook remains uncertain Gfinity is operating in a growth industry segment. The leadership team is focused on execution and has added new revenue levers and is now well positioned.



Neville Upton
Chairman
28 October 2020

Strategic Report

Chief Executive Officer's Report

Gfinity operates in one of the most exciting and fast-growing industry sectors in the world. The digitalisation mega trend means that gaming continues to grow in importance to young people, with interactive entertainment at the core of how they live their lives. This is where esports and competitive gaming entertainment sits and where Gfinity operates.

I assumed the role as CEO earlier this year. Since then, the team has been focused on writing the next chapter of Gfinity's story with an emphasis on innovation, driving financial growth and bringing the business into profitability. We announced a review of our business positioning in March and based on this implemented a significant cost reduction programme, the adoption of a flexible variable cost operating model and a sharpened operational focus on areas of existing success and competitive strength. In addition, we took the decision to exit certain areas that had a negative impact on cash and declining opportunities that were not in line with our strategic plan. We took our plan to the market and through an oversubscribed placement raised £2.25 million in April.

This year the world has been shaken by the COVID-19 pandemic. With people spending more time at home, we are seeing an increase in engagement with esports and competitive gaming. In the absence of live sport, broadcasters are turning to gaming to fill the programming void and we are seeing both young and old using gaming to connect with friends and make new friends as social interactions are restricted. Big consumer brands that want to connect with Gen Z consumers are also seeing the value and significant reach of gaming. Gfinity remains well positioned in the gaming ecosystem to provide unique solutions for game publishers, sports rights holders, brands and media organisations around the world.

Sharpened operational focus

The business is now built around three strategic pillars and is based on products and services that we own; co own; and deliver for others, with each pillar providing multiple revenue streams.

1. What we own; Gfinity Digital Media group (GDM)

In the past twelve months, Gfinity has grown its publishing platform from two English language websites with roughly 1 million monthly users, to three English language websites; www.gfinityesports.com; www.realsport101.com; and www.stealthoptional.com with www.realsport101.com available in Spanish, Portuguese and Arabic. These sites generated more than 12 million users in June, with their respective social channels generating over 40 million impressions.

GDM is wholly owned by Gfinity plc, with three direct revenue streams: website takeovers and programmatic advertising; ecommerce; and content creation and community build products for partners. Up to June 30 2020 GDM generated revenues close to £400,000. We expect revenues from the group to exceed £2m in FY21.

The success of GDM is based on a dynamic team and strong partnerships with industry leading ad delivery, sales and video service companies including Venatus Media and Connatix. We have also launched Gfinity Plus, a reward-based product alongside a new e-commerce platform that helps to drive increased engagement across the sites. Overall, the future for GDM is positive as we continue to grow organically, identify acquisition opportunities and strike new partnership deals.

2. What we co-own; Partnerships

More businesses are being drawn to esports and gaming and are looking to work with companies like Gfinity to help them navigate the sector. Our partners benefit from our expertise in gaming from operations to production and we work together to create ideas that capture the imagination of young gamers. In these partnerships, we share the investment and risk, are paid for our services and share in the commercial upside.

Strategic Report

This partnership model is the basis of the five-year agreement we entered into with Abu Dhabi Motorsport Management (ADMM) in May. Together we have built the Global Racing Series and launched the first product, the V10 R-League which is available through linear and digital channels around the world.

3. *Building communities for others; tech IP and world class production*

Using company owned tech IP, we design, develop and deliver commercially viable programmes for games publishers, sports rights holders, brands and media organisations. We are a market leader at creating virtual competitive gaming entertainment programmes. We have worked with some of the world's leading brands and in May, signed a multi-year agreement with Formula 1 to deliver the F1 Esports Series, a client we have worked with since the start of the programme in 2017. In addition, our relationship with the Premier League continues to expand and we have been appointed by new partners such as NBA and Willow TV to deliver "The eCricket Challenge".

A leadership position in virtual motorsport

Throughout the year, Gfinity has continued to strengthen its leadership position in virtual motorsports. In addition to signing the multiyear agreement to deliver the F1 Esports Series, Gfinity also designed and delivered the Virtual Grand Prix series, at the height of the pandemic, that was watched by over 31 million fans. The Gfinity Arena was kept open, technical solutions were found to connect F1 drivers, sports and media stars and YouTube influencers from around the globe, with nine live shows broadcast to over 100 countries.

In May, we announced the Global Racing Series and the first product, the V10 R-League, was broadcast on BT Sport, ESPN and STARZ ARABIA Play in September. It was an amazing team effort to create the product, sign up teams, build a virtual car, deliver commercial broadcast deals and record the shows in under four months.

In addition, the GDM group announced the creation of a new virtual racing website, www.racinggames.gg which will go live in November. This reflects the growing interest and commercial opportunities in the space.

Gfinity's owned tech IP

The team at Gfinity have also developed technology IP that is wholly owned. The tech IP is used for our own activities and is monetised through services we deliver for our clients, with the potential to become an additional license-based revenue stream in the years to come.

During the year the Premier League utilised our new Competition Platform whilst Formula 1 continues to benefit from our Race Control software, which enables in race adjudication and provides the teams with real-time car performance data. We also launched Gfinity Plus, a rewards-based product designed to increase engagement on our websites, which uses forum and chat functionality that we own. The team has also created virtual production software that is already being used for our client work and will soon be available to a larger number of companies under license.

Understanding the gamer

We have continued to deepen our understanding of the needs and behaviours of gamers. Now that we are connecting with tens of millions of gamers each month, we are able to take real time behavioural data and implement test and learn projects to identify the best content to serve, at what times, with what games and through what channels. This data is being built into the programmes that are developed for our key clients and we use the insights to drive innovation in this area of our business.

Our people

At the heart of any successful company is its people and we are no exception. Our team are passionate about gaming, innovative and in these challenging times have stood up to be counted. During lockdown they

Strategic Report

kept the Gfinity Arena open and produced world class broadcast products that kept the world entertained. They continue to be creative, entrepreneurial and resourceful.

At the same time, we know that we can do more to support young people from a variety of different backgrounds find ways to enter the esports and competitive gaming sector. This is a priority and will stay that way in the months and years ahead.

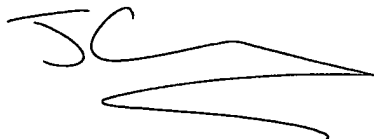
Outlook

The sharpened operational focus, combined with the significant reduction in our cost base, has given Gfinity the opportunity to win and deliver on the major opportunity we see ahead of us. We are successfully building the momentum that will enable us to grow and to accelerate our growth trajectory we need to engage in even more partnerships. It is also clear that Gfinity would benefit from the market and brand support of having a strong strategic partner to take us to our next stage of growth. That is why we have announced a 'formal sales process' and I am excited to see what this delivers

Gfinity is dependent upon a complex and wider ecosystem and the timing of new programmes are determined by our customers and all parties providing their value added services. There are risks associated with the timing and dependency on the overall execution and therefore it is important that we remain agile, flexible and entrepreneurial, continually adding to an already strong pipeline of opportunities.

In closing

The strategic focus on what we own, what we co own and what we can build for others provides a clear roadmap to profitable growth. Whilst we are still dealing with the implications of COVID-19 and the uncertainty surrounding a no-deal Brexit, we are staying focused on what we can control, building our own community of gamers at pace, partnering with organisations that have a shared need and working with great brands that value our expertise. This is an exciting chapter for the Company, and I would like to thank the Gfinity team, our business partners and our clients for their continued hard work and support.



John Clarke
Chief Executive Officer
28 October 2020

Strategic Report

Chief Financial and Operations Officer's Report

Summary

The year to 30 June 2020 was one of transition for Gfinity, during which we took a number of the key decisions and actions to position the business for success as we move into 2021 and beyond.

In March 2020, we announced a review of our business positioning, sharpening its strategic focus and focusing on areas in which we are already demonstrating a competitive advantage and in which we believe we can win profitably in the future.

Aligned to this, we also announced a significant step change in the fixed cost base of the business; retaining key expertise, but reducing the size of the permanent teams and supporting infrastructure, with additional resource to be brought in as required for programme delivery. This move will enable us to reduce the operating cost base of the business by more than 50% over a 12-month period. The majority of this reduction has already been achieved, with further small amounts to be realised through FY21.

The impact of these changes can already be seen in the FY20 results. The adjusted operating loss³ reduced by 36% to £5.5m. Excluding restructuring related costs of £0.3m, the operating loss would have reduced to £5.2m, a year on year reduction of 40%.

We expect to see a further reduction in operating loss in FY21, as Gfinity's owned revenue streams continue to grow, the full year impact of cost reductions delivered in FY20 are reflected and further reductions in the cost base are made as existing lease commitments come to an end.

During the year commercial capability on a contract basis was added to the team. This has led to commercial agreements with leading global broadcasters for the V10 R-League, which is part of the multi-year relationship signed with Abu Dhabi Motorsport Management in May and new opportunities in the MENA region.

The internal technology team has worked hard to build the infrastructure on which Gfinity Digital Media is built. Not only has the team built new sites, it has optimised all the sites for serving programmatic ads, rich media site takeovers and e-commerce. During the year the Gfinity Esports Platform (GEP) has been expanded to include four owned IP products, all of which are licensable: Competition; Game Control; Community; and Virtual Production.

Revenue and cost of sales

Revenue of £4.5m reflected a reduction of 43% year on year as we moved towards higher value revenue streams. Despite this reduction, however, gross profit rose 167% year on year to £2.8m. This improvement was driven by a move away from lower margin activities, towards higher value activities, including:

- Advertising and branded content revenues driven through Gfinity's own Digital Media Group
- Content creation activities for clients including Amazon, BT Sport, Formula 1 and HP Omen
- Design, development and delivery of major esports programmes for major gaming and traditional sporting organisations including Formula 1, Premier League and a number of leading football clubs
- Strategic consultancy for clients including Truxtun Capital
- Deployment of Gfinity's esports technology services, which underpinned a number of the above programmes along with ongoing work for clients including Nvidia.

³ Adjusted operating profit/ (loss) is operating profit/ (loss), prior to share option charge, amortization and impairment of intangible asset and depreciation of fixed assets. For consistency with prior years and to best represent the measure of profitability that matches to cash flow, this figure does not adjust for operating leases capitalized in accordance with IFRS 16.

Strategic Report

While the emergence of COVID-19 in the second half of the financial year impacted the business, the re-focus on our own communities, studio produced content and deployment of our technology, as opposed to live in-person events, significantly mitigated this impact.

Administrative expenses

As a Board, we monitor ourselves against adjusted operating expenditure⁴, as the measure which most closely reflects the cash costs to the business.

Adjusted operating expenditure for the year totalled £8.3m, which represented a reduction of 13% year on year. This figure included restructuring related costs of £0.3m, without which underlying operating expenditure would have been £8.0m, a reduction of 17%.

This reduction principally reflected the impact over the final months of the year of the restructuring announced in March 2020. Over a 12-month period, this restructuring will reduce the underlying operating expenditure of the business by more than 50% from the previous run rate. The majority of this reduction has already been delivered, with further savings to follow through FY21.

Unadjusted administrative expenses include:

- Share option charge of £1.5m, which represents an increase of £0.5m on the prior year, principally relating to an acceleration of the charge in respect of former board members
- Amortisation of intangibles of £0.5m (2019: £1.0m)
- Depreciation of owned assets of £0.4m (2019: £0.4m).

Operating loss

As a result of the improvement in gross profit, coupled with the reduction in administrative expenses, the adjusted operating loss for the year reduced to £5.5m, a reduction of 36% year on year (2019: £8.6m). Excluding the impact of £0.3m of restructuring related expenditure, this figure would have been £5.2m, a reduction of 40%.

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 2019 event attracted a global audience of over seven million viewers, up from five million in the prior year, with more than 3.75 million votes cast across the respective award categories (prior year 3.3 million votes). 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 £0.0m (2019: £0.0m).

In August 2019 we announced that Gfinity Esports Australia would cease trading by the end of the 2019 calendar year. This has happened and the venture is in the process of being formally wound down. Gfinity's share of loss from this venture in the year was £0.3m (2019: £0.9m). No further losses are expected, with the entity having sufficient reserves to meet all liabilities on closure, other than those to the shareholders, which are already fully provided against.

Cash and Cash Equivalents

Year-end cash of £1.6m (2019: £0.6m) was in line with expectations following completion of an over-subscribed fundraise in April 2020 to raise £2.25m gross (£2.1m net) and the exercise of a further £0.2m of

⁴ Adjusted operating expenditure is administrative expenditure, prior to the inclusion of share option charge, amortization of intangible assets and depreciation of owned fixed assets.

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warrants prior to the year end. At 30 June 2020, there remained £2.0m of warrants still to be exercised, £0.4m of which had been exercised prior to this signing of the accounts.

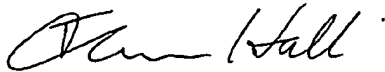
Based on the restructured cost base, this cash balance together with the further warrant exercise leave the business sufficiently capitalised to deliver against the growing market opportunity within esports.

Outlook

As a result of the actions taken in the year, Gfinity is well positioned to take advantage of the leading position it has created within the esports sector. Its sharpened operational focus on areas where the company already enjoys a competitive advantage will ensure the business grows in a financially viable way, despite the economic environment which remains heavily affected by COVID-19.

After much reflection on how to best exploit the explosive growth in our market for our shareholders, on 9 October 2020, we announced the appointment of finnCap to conduct a formal review of the various strategic growth options available to the Company. This could include options for making acquisitions, forming partnerships, separating activities of the Group or the potential sale of the Company. There is no certainty that any offer will be made, or transaction concluded and we will make a further announcement in due course.

Overall, following a year of transition, we believe we are well positioned for success as we move into 2021 and beyond.



Jonathan Hall
Chief Financial and Operations Officer
28 October 2020

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 rapidly developing 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.

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 and Operations Officer. 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 Chief Executive. Mitigation strategies and the emergence of new strategic risks are considered through the weekly senior leadership team meetings, which he chairs.

Operational risks are the responsibility of the Chief Financial and Operations Officer and are considered both at the senior leadership team meetings and through weekly one to one meetings with the 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 Report

Strategic Risks

Risk	Description	Mitigating Actions
COVID-19 risk	<p>The COVID-19 pandemic has driven an unparalleled level of economic uncertainty within the global economy.</p> <p>This has resulted in many organisations holding back from making long term spending commitments.</p> <p>It has also seen a movement away from spend on live, in-person events.</p> <p>The financial markets have also been heavily impacted and there remains a risk of a further downturn to the financial markets as the impact of COVID-19 becomes more long lasting than many had originally anticipated and government sponsored programmes to sustain employment during the initial period come to an end.</p>	<p>Gfinity acted quickly in the spring of 2020 to reduce the cost base of the business and focus activities on areas where directors believe they can both be successful in the long term, but also in which they can continue to win in the short term.</p> <p>This was reflected in the speed with which esports programmes for clients including Formula 1 and Premier League, with participants competing remotely were brought to market following the initial outbreak of the disease.</p> <p>Keeping the Gfinity Arena open for business by implementing social distancing measures is key to driving additional business and gives us a competitive advantage.</p> <p>The growth of Gfinity's own digital media group, also provides a strong, recurring owned revenue stream that is not subject to live events.</p> <p>Furthermore, as part of the oversubscribed fundraise process completed in April 2020, directors opted to take more money than originally targeted during the initial raise, coupled with further cash inflows that resulted from subsequent warrant exercises, meaning the business is well capitalised to ride out the economic uncertainty as it moves into FY21.</p>
Economic and political uncertainty	<p>Uncertainty over the United Kingdom's future trading relationship with European Union, and other key trading partners creates a level of economic and political uncertainty, which provides risks at both a strategic and operational level for Gfinity.</p> <p>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>The structural changes to the cost base of the company and the additional security over funding, resulting from the fundraise undertaken in April 2020, ensures that the company will have the resources to ride out any short term economic uncertainty.</p> <p>The move towards an increased level of digital engagement, with participants competing remotely also decreases Gfinity's dependence on live events and cross border travel.</p>

Strategic Report

Intellectual property risk	Esports involves the use of intellectual property, typically owned by the publishers of the respective game titles. 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.	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. 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.
Perception of video gaming	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.	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.
Competition risk	There are currently very few companies globally that can deliver full end to end esports solutions and Gfinity has established a first mover advantage. As the market develops, however, there is a risk of new entrants coming into the market, or game publishers looking to bring the capability in house.	Gfinity's unique capability comes from a combination of its proprietary platform, the cumulative knowledge and breadth of relationships of its experienced team, its deep understanding of the esports community, and the investment in its esports studio. 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.
Speed of revenue growth	Gfinity operates in a pioneering sector. Directors believe, supported by market research, that the value of that sector is	The directors of Gfinity firmly believe that establishing a market leading position in the fast-growing esports sector is the best route to delivering

Strategic Report

	<p>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>significant long-term value to shareholders.</p> <p>Nonetheless, in view of the fact that revenue progression may be non-linear, as noted in the current year results, the board has adopted a strategy of sharpening the focus of the business onto areas in which the company enjoys a distinct competitive advantage and can grow profitably. The reduction of the cost base associated with this sharpening of the focus, is also expected to allow the company to move into a cash flow positive position on a month on month basis in a shorter term time horizon. This will help the company more successfully negotiate the short term impact of any short term revenue reduction.</p>
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Operational Risks

Risk	Description	Mitigating Actions
<p>COVID-19 risk</p>	<p>Alongside the strategic risks, the COVID-19 outbreak has presented multiple operational risks to the business, including:</p> <ul style="list-style-type: none"> - Key staff availability; in the event that multiple people needed to be absent at a single point in time - Facility availability; ensuring we remain able to generate competitive gaming content for our own programmes and for clients without breaching government regulations - Maintaining efficient and effective ways of working, including ensuring that staff are able to do their jobs even if they can't come to the office - Maintaining appropriate communication, so the company's activities remain focused and aligned. 	<p>Department leaders have been targeted with ensuring that there is appropriate knowledge sharing within the teams and in building a broader network of people who understand our processes and ways of working, who can come in at short notice to support our activities.</p> <p>Staff have not been required to come into the office since the outbreak first emerged and have worked effectively from home during this period.</p> <p>Staff have only come into the arena as required to deliver specific programmes. The company engaged a team of specialist consultants to reconfigure the arena and develop new ways of working that, as far as possible adhered to social distancing guidelines.</p> <p>The company's investment in technology has also allowed it to continue delivering high quality content, without the need for participants to travel into the arena.</p>

Strategic Report

		Bi-weekly all staff meeting, supplemented by a range of group and one to one meetings, ensure that communication remains strong, despite these new ways of working.
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.	<p>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.</p> <p>The granting of warrants in the most recent fundraise provides a likely additional injection of cash over the next 12 months, although the timings of this cannot be guaranteed.</p> <p>As noted above, we have also undertaken an exercise to significantly reduce the cost base of the business, in the expectation of bringing the business into profitability at an adjusted operating profit level on a month on month basis within the short term.</p>
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.

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<p>Data security risk</p>	<p>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.</p>	<p>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.</p> <p>All user data held is in a secure and encrypted manner and is only used in compliance with all relevant legislation.</p>
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This report was approved by the board and signed on its behalf.



Neville Upton
Chairman
28 October 2020

Governance

Corporate Governance Report

Chairman's Statement on Corporate Governance:

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

Neville Upton, 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:

<i>Neville Upton, Chairman</i>	<i>Appointed: 15 January 2014</i>
<p>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 and assumed the role of Chairman in March 2020.</p>	
<i>John Clarke, Chief Executive Officer</i>	<i>Appointed: 18 September 2018</i>
<p>John Clarke was appointed CEO in March 2020. He 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.</p>	
<i>Jonathan Hall, Chief Financial and Operations Officer</i>	<i>Appointed: 1 September 2014</i>
<p>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 and Operations Officer Jon has responsibility for all aspects of finance and accounting, including financial planning, reporting and accessing capital to fund growth. He also retains responsibility for all company operations including event delivery, technology, HR and legal matters.</p>	
<i>Preeti Mardia, Independent Non-Executive Director</i>	<i>Appointed: 23 November 2017</i>
<p>Preeti Mardia has diverse end-to-end operational management and commercial expertise across Electronics, Telecoms, Banking 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 until September 2019. 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.</p>	

Governance

<i>Andy MacLeod, Independent Non-Executive Director</i>	<i>Appointed: 23 November 2017</i>
<p>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 worldwide, 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.</p>	

Governance

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 Chairman, Neville Upton also retains responsibility for oversight of the development and delivery of the Company's strategy, supported by the 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 are held monthly, other than in August and December, meaning a minimum of ten 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. This includes meetings to approve the issue of further shares, both as part of the core fundraising process and also following warrant exercises. The issue of warrants for the first time in April 2020 has increased the cadence of such one-off meetings.

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
Neville Upton	15	15
John Clarke	15	15
Jonathan Hall	15	15
Preeti Mardia	15	15
Andy MacLeod	15	15
Garry Cook	7	7
Graham Wallace	7	7

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

Governance

change from time to time. It was in that context that, during the year, Neville Upton became Chairman and the board appointed John Clarke to Chief Executive Officer.

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

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
 Jonathan Hall

Graham Wallace also formed part of the committee prior to his resignation from the board.

Director	Number of Meetings Attended	Total Meetings in Period in Office
Preeti Mardia	3	3
Andy MacLeod	3	3
Jonathan Hall	1	1
Graham Wallace	2	2

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.

The Nominations Committee comprises of:
 Andy MacLeod (Chair)
 Preeti Mardia

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

Governance

meeting, plus other activities as agreed with the Executive team from time to time, including membership of board committees.

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

The Remuneration Committee consists of Andy MacLeod and Preeti Mardia.

Director	Number of Meetings Attended	Total Meetings in Period in Office
Andy MacLeod	4	4
Preeti Mardia	4	4

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

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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 do not, comply with the requirements of the Companies Act 2006.

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

Remuneration policy

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

The remuneration packages of Executive Directors comprise the following elements:

Basic salary and benefits

Basic salaries for Executive Directors are reviewed annually and take into account 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 27. 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 offering Non-Executive Directors shares in the Company at a price and level that aligns them with the interests of the wider shareholder base is in interests of all shareholders. The Board also believes it is an essential part of attracting high calibre individuals to the Board.

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 Executive directors' appointments are subject to six months' notice on either side.

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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 2020 in the shares of the Company were:

	Number of Ordinary Shares	Percentage of issued share capital
Neville Upton	14,877,245	2.05%
John Clarke	722,222	0.10%
Jonathan Hall	722,222	0.10%
Preeti Mardia	111,112	0.02%
Andrew MacLeod	78,704	0.01%
	16,511,505	2.27%

Share Options

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

	As at 30 June 2019	Options Granted	Options Lapsed	As at 30 June 2020
Garry Cook*	9,590,446	-	-	n/a
Graham Wallace*	8,590,446	-	-	n/a
Neville Upton	7,870,670	5,000,000	(7,870,670)	5,000,000
John Clarke	3,000,000	8,000,000	(3,000,000)	8,000,000
Jonathan Hall	1,548,571	5,000,000	(1,548,571)	5,000,000
Andy MacLeod	1,000,000	-	-	1,000,000
Preeti Mardia	1,000,000	-	-	1,000,000
	32,600,133	18,000,000	(12,419,241)	20,000,000

*Garry Cook and Graham Wallace resigned from the board on 16 March 2020.

Audited Information – this section forms part of the financial statements by cross-reference.

Directors' emoluments

Emoluments of the directors for the year ended 30 June 2020 are shown below.

	Year ended 30 June 2020				Year ended 30 June 2019
	Salary & Fees	Bonus	Pension	Total Remuneration	Total Remuneration
Neville Upton	106,250	-	-	106,250	150,000
John Clarke	166,250	-	2,192	168,442	193,848
Jonathan Hall	161,500	-	2,192	163,692	170,948
Preeti Mardia	25,000	-	942	25,942	25,236
Andrew MacLeod	25,000	-	-	25,000	25,000
Garry Cook*	60,600	-	-	60,600	412,400
Graham Wallace*	256,683	-	-	256,683	369,875
	801,283	0	5,325	806,608	1,347,307

Gfinity plc

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*Garry Cook and Graham Wallace resigned from the board on 16 March 2020.

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

A handwritten signature in black ink, appearing to read 'N. Upton', written in a cursive style.

Neville Upton
Chairman
28 October 2020

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 2020.

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 business, organically engaging with a rapidly growing community of gamers on its own digital channels; Gfinityesports.com, RealSport101.com and StealthOptional.com.

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 2020–21 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 2020.

Results and dividends

The consolidated income statement is set out on page 38.

The Company's loss after taxation amounted to £7.7m (2019: loss of £12.0m).

The directors do not recommend the payment of a dividend for the year ended 30 June 2020.

Events since the balance sheet date

On 9 October, Gfinity announced that the company was undertaking a strategic review, to identify a strategic investment partner, that would be capable of helping the company fully deliver on the potential value that it has created from its leading position in the esports market.

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

Governance

The following directors held office as indicated below for the year ended 30 June 2020 and up to the date of signing the consolidated financial statements except where otherwise shown.

Neville Upton – Chairman

John Clarke – Chief Executive Officer

Jonathan Hall – Chief Finance and Operations Officer

Preeti Mardia – Non-Executive Director

Andy MacLeod – Non-Executive Director

Garry Cook – Executive Chairman (resigned 16 March 2020)

Graham Wallace – Global Chief Operating Officer (resigned 16 March 2020)

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:

Gfinity plc

Governance

A handwritten signature in black ink, appearing to read 'N. Upton', with a stylized flourish at the end.

Neville Upton
Chairman
28 October 2020

FINANCIAL STATEMENTS

Independent Auditor's Report to the members of Gfinity PLC for the year ended 30 June 2020

Opinion

We have audited the financial statements of Gfinity PLC ('the parent company') and its subsidiaries (the 'group') for the year ended 30 June 2020 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 parent company's affairs as at 30 June 2020, and of the group's and the parent company'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 group and parent 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 data-bbox="220 405 740 465"><i>Going concern assessment (Group and parent company)</i></p> <p data-bbox="220 495 740 898">At the balance sheet date the group had net current assets of £1.1m, which includes cash and cash equivalents of £1.6m. The group's post-tax loss for the year was £7.7m and it reported net cash used in operating activities of £5.3m. Continued losses of this magnitude would result in a rapid depletion of cash reserves and the corresponding net asset position of the group. If the going concern assumption were not appropriate this would have a pervasive effect which could impact on the group's and parent company's ability to realise assets in the normal course of business.</p> <p data-bbox="220 927 740 1010">The appropriateness of applying the going concern basis has been referenced in note 2 of the financial statements.</p>	<p data-bbox="762 495 1469 667">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, including the impact of the Covid-19 pandemic.</p> <p data-bbox="762 696 1469 898">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. Specifically, we considered the evidence provided by management in support of their view that the Group would be able to raise further funds through another round of investment funding.</p> <p data-bbox="762 927 1469 1189">The Group's ability to avoid additional fund raising is particularly sensitive to revenue assumptions which are inherently difficult to predict. Consequently, it is a reasonably possible outcome that the group and parent company will need to seek additional funding, meaning management's assessment of the likelihood of being able to raise such funding is critical to their conclusion that there is no material uncertainty in relation to the group and parent company's ability to continue as a going concern.</p> <p data-bbox="762 1218 1469 1301">In light of the evidence available at the date of this report, we consider the judgements made by management in applying the going concern assumption to be reasonable.</p> <p data-bbox="762 1330 1469 1451">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 data-bbox="220 1536 692 1570"><i>Goodwill impairment assessment (Group)</i></p> <p data-bbox="220 1599 740 1704">The group had goodwill of £2.5m (note 14) with an indefinite life as at 30 June 2020, which is required to be tested for impairment on an annual basis.</p> <p data-bbox="220 1733 740 1966">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</p>	<p data-bbox="762 1599 1469 1704">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 data-bbox="762 1733 1469 1883">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 data-bbox="762 1912 1469 1966">Based on our procedures and the evidence available to the date of this report we concur with Management's conclusion</p>

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.	that no impairment to the carrying value of goodwill is necessary.
Key audit matter	How the scope of our audit addressed the risk
<p><i>Valuation of investments (Parent company)</i></p> <p>The company had investments in its subsidiaries of £4.5m (note 14) as at 30 June 2020, 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 £400,000 (2019: £700,000). In determining this, we considered a range of benchmarks with specific focus on the loss for the year, total revenue for the year and total assets as at the balance sheet date. This materiality level represents 4.8% (2018: 5.8%) of loss before tax, 8.9% (2019: 8.9%) of revenue and 5.8% (2018: 10.0%) of total assets.

We report to the Audit Committee all identified unadjusted errors in excess of £40,000. 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.

Opinions on other matters prescribed by 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 their 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 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. 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

28 October 2020

Group Statement of Profit or Loss

	Notes	1 July 2019 to 30 June 2020 £	1 July 2018 to 30 June 2019 £
CONTINUING OPERATIONS			
Revenue		4,485,565	7,870,166
Cost of sales		(1,714,740)	(6,832,652)
		<hr/>	<hr/>
Gross Profit / (Loss)		2,770,825	1,037,514
Other income	7	73,041	0
Administrative expenses	6	(10,681,476)	(12,106,612)
		<hr/>	<hr/>
Operating loss		(7,837,610)	(11,069,098)
Finance income	9	2,622	6,481
Finance costs	9	(39,768)	(1,583)
Share of net loss of associates & impairment of associates		(308,214)	(991,951)
		<hr/>	<hr/>
Loss on ordinary activities before tax		(8,182,970)	(12,056,151)
Taxation	10	457,663	59,832
		<hr/>	<hr/>
Retained loss from continuing operations		(7,725,307)	(11,996,319)
Profit from discontinued operations	29	-	1,911
		<hr/>	<hr/>
Loss for the year		(7,725,307)	(11,994,408)
		<hr/>	<hr/>
Earnings per share	21	(0.01)	(0.04)
		<hr/>	<hr/>

Group Statement of Comprehensive Income

	Notes	1 July 2019 to 30 June 2020	1 July 2018 to 30 June 2019
		£	£
Loss for the period		(7,725,307)	(11,994,408)
Other comprehensive income			
<i>Items reclassified to profit or loss</i>			
Changes in the fair value of derivatives recognised at fair value		-	58,083
<i>Items that will not be reclassified to profit or loss</i>			
Derivatives settled during the period reclassified to profit and loss		-	(166,504)
Foreign exchange loss on retranslation of foreign subsidiaries		(6,117)	2,221
Other comprehensive income for the period		(6,117)	(106,200)
Total comprehensive income for the period		(7,731,424)	(12,100,609)

Group Statement of Financial Position

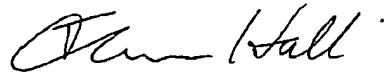
	Notes	30 June 2020 £	30 June 2019 £
NON CURRENT ASSETS			
Property, plant and equipment	11	213,288	483,112
Right of Use assets	12	428,305	-
Goodwill	14	2,544,526	2,544,526
Intangible fixed assets	13	613,164	1,033,993
Investment in Associate	16	-	-
		<hr/>	<hr/>
		3,799,283	4,061,631
CURRENT ASSETS			
Trade and other receivables	17	1,391,332	2,322,379
Cash and cash equivalents	18	1,600,597	648,454
Current tax assets	28	-	-
		<hr/>	<hr/>
		2,991,929	2,970,833
		<hr/>	<hr/>
TOTAL ASSETS		6,791,212	7,032,465
		<hr/> <hr/>	<hr/> <hr/>
EQUITY AND LIABILITIES			
Equity			
Ordinary shares	20	725,868	362,897
Share premium account		44,405,085	37,455,838
Other reserves		3,132,220	1,637,763
Retained earnings		(43,457,102)	(35,731,794)
		<hr/>	<hr/>
Total equity		4,806,071	3,724,704
Non-current Liabilities			
Deferred tax liabilities	28	92,059	322,718
Current liabilities			
Trade and other payables	19	1,893,081	2,985,042
		<hr/>	<hr/>
Total liabilities		1,985,141	3,307,760
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		6,791,212	7,032,465
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 49 to 80 form an integral part of these financial statements.

Signed on behalf of the board on 28 October 2020:



Neville Upton
Chairman



Jonathan Hall
Chief Financial and Operations Officer

Company Statement of Financial Position

	Notes	30 June 2020 £	30 June 2019 £
NON CURRENT ASSETS			
Property, plant and equipment	11	187,176	459,103
Right of Use assets	12	428,305	-
Investment in Subsidiaries	14	4,466,133	4,466,133
Intangible fixed assets	13	57,724	-
Investment in Associate	16	-	-
		<hr/>	<hr/>
		5,139,338	4,925,236
CURRENT ASSETS			
Trade and other receivables	17	2,843,800	3,760,364
Cash and cash equivalents	18	1,531,360	603,076
Current tax assets	28	-	-
		<hr/>	<hr/>
		4,375,160	4,363,440
		<hr/>	<hr/>
TOTAL ASSETS		9,514,498	9,288,676
EQUITY AND LIABILITIES			
Equity			
Ordinary shares	20	725,868	362,897
Share premium account		44,405,085	37,455,838
Other reserves		3,137,832	1,637,259
Retained earnings		(40,601,156)	(33,107,935)
		<hr/>	<hr/>
Total equity		7,667,629	6,348,059
Current liabilities			
Trade and other payables	19	1,846,869	2,940,616
Derivative financial instruments		-	-
		<hr/>	<hr/>
Total liabilities		1,846,869	2,940,616
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		9,514,498	9,288,676

The notes on pages 49 to 80 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 £7,493,221 (2019: loss of £9,970,720).

Signed on behalf of the board on 28 October 2020:



Neville Upton
Chairman



Jonathan Hall
Chief Financial and Operations Officer

Group Statement of Changes in Equity

	Ordinary shares	Share premium	Share option reserve	Retained earnings	Forex	Total equity
	£	£	£	£	£	£
At 30 June 2018	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)
Total comprehensive income	-	-	-	(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
Total transactions with owners, recognised directly in equity	76,549	5,890,104	1,050,002	0	0	7,016,656
At 30 June 2019	362,897	37,455,839	1,637,258	(35,731,795)	504	3,724,704
	Ordinary shares	Share premium	Share option reserve	Retained earnings	Forex	Total equity
	£	£	£	£	£	£
At 30 June 2019	362,897	37,455,839	1,637,258	(35,731,795)	504	3,724,704
Loss for the period	-	-	-	(7,725,307)	-	(7,725,307)
Other Comprehensive Income	-	-	-	-	(6,117)	(6,117)

Total comprehensive income	-	-	-	(7,725,307)	(6,117)	(7,731,424)
Proceeds of Shares Issued	362,971	7,372,852	-	-	-	7,735,823
Shares as Consideration	-	-	-	-	-	-
Share issue costs	-	(423,605)	-	-	-	(423,605)
Share options expensed	-	-	1,500,573	-	-	1,500,573
Total transactions with owners, recognised directly in equity	362,971	6,949,247	1,500,573	-	-	8,812,791
At 30 June 2020	725,868	44,405,086	3,137,831	(43,457,102)	(5,613)	4,806,070

Company Statement of Changes in Equity

	Ordinary shares £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
At 30 June 2018	286,348	31,565,734	587,256	(23,028,794)	9,410,544
Loss for the period	-	-	-	(9,970,720)	(9,970,720)
Other Comprehensive Income	-	-	-	(108,421)	(108,421)
Total comprehensive income	-	-	-	(10,079,141)	(10,079,141)
Proceeds of Shares Issued	75,000	5,925,000	-	-	6,000,000
Share issue costs	-	(192,107)	-	-	(192,107)
Shares as consideration	1,549	157,211	-	-	158,760
Share options expensed	-	-	1,050,002	-	1,050,002
Total transactions with owners, recognised directly in equity	76,549	5,890,104	1,050,002	-	7,016,655
At 30 June 2019	362,897	37,455,838	1,637,258	(33,107,935)	6,348,058

Loss for the period	-	-	-	(7,493,221)	(7,493,221)
Other comprehensive income				-	-
Total comprehensive income	-	-	-	(7,493,221)	(7,493,221)
Proceeds of Shares Issued	362,971	7,372,852	-	-	7,735,823
Share issue costs	-	(423,605)	-	-	(423,605)
Shares as Consideration	-	-	-	-	-
Share options expensed	-	-	1,500,573	-	1,500,573
Total transactions with owners, recognised directly in equity	362,971	6,949,247	1,500,573	-	8,812,791
At 30 June 2020	725,868	44,405,085	3,137,831	(40,601,156)	7,667,628

Group Statement of Cash Flows

	Note	30-Jun-20 £	30-Jun-19 £
Cash flow used in operating activities			
Net cash used in operating activities	26	(5,290,351)	(8,470,887)
Cash flow from / (used in) investing activities			
Interest received	9	2,622	6,481
Additions to property, plant and equipment	11	(100,765)	(123,558)
Additions to intangible Assets	13	(57,724)	-
Investment in Associate		(308,214)	(270,661)
Proceeds from sale of discontinued operations		-	17,678
Net cash used in investing activities		(464,081)	(370,061)
Cash flow from / (used in) financing activities			
Issue of equity share capital		7,312,218	5,807,893
Repayment of leases		(597,015)	
Bank interest payable		(2,511)	
Net cash from financing activities		6,712,692	5,807,893

Net increase in cash and cash equivalents	958,260	(3,033,055)
Effect of Currency translation on cash	(6,117)	2,221
Opening cash and cash equivalents	648,454	3,679,288
	<hr/>	<hr/>
Closing cash and cash equivalents	1,600,596	648,454
	<hr/> <hr/>	<hr/> <hr/>

Company Statement of Cash Flows

	Note	30-Jun-20 £	30-Jun-19 £
Cash flow used in operating activities			
Net cash used in operating activities	26	(5,322,647)	(7,579,305)
Cash flow from/(used in) investing activities			
Interest received	9	2,622	6,481
Additions to property, plant and equipment	11	(98,444)	(115,256)
Additions to Intangible Assets	13	(57,724)	-
Acquisition/Disposal of subsidiaries, net of cash acquired		-	45,000
Investment in Associate		(308,214)	(270,661)
Inter-company loans		-	(854,293)
Net cash used in investing activities		(461,760)	(1,188,730)
Cash flow from / (used in) financing activities			
Issue of equity share capital		7,312,218	5,807,893
Repayment of leases Bank interest payable		(597,014)	
		(2,511)	
Net cash from financing activities		6,712,692	5,807,893
Net increase in cash and cash equivalents		928,285	(2,960,142)
Opening cash and cash equivalents		603,076	3,563,216
Closing cash and cash equivalents		1,531,360	603,076

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 2. 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 2019, 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.

Standards, Interpretation and amendments to published standards effective in the accounts

The Group has applied the following new standards and interpretations for the first time for the annual reporting period commencing 1 July 2019:

- IFRS 16 Leases.
- IFRIC 23 Uncertainty over Income Tax Treatments.
- Amendments to IFRS 9 Prepayment Features with Negative Compensation.
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures.
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement.
- Annual Improvements to IFRS Standards 2015-2017 Cycle (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23).

The nature and effect of the changes to the Group's accounting policies as a result of the adoption of IFRS 16 is set out in note 12.

The adoption of the other standards and interpretations listed above has not led to any changes to the Group's accounting policies or had any other material impact on the financial position or performance of the Group.

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

New standards and interpretations that are in issue but not yet effective are listed below:

- Amendments to IAS 1 and IAS 8 Definition of Material.

- Amendments to IFRS 3 Definition of a Business.
- Amendments to References to the Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The adoption of the above standards and interpretations is not expected to lead to any changes to the Group's accounting policies or have any other material impact on the financial position or performance of the Group.

Going concern

At the end of the period the Group had cash and cash equivalents amounting to £1,600,597 and the Company had cash and cash equivalents amounting to £1,531,360. Further to this at the balance sheet date, there were 203,695,500 warrants outstanding over ordinary shares in the company at an exercise price of 1p, to be exercised on or before 20 October 2021. Given the positive variance of the share price at the time of their assessment, the directors believe that, that it is reasonable to assume that these warrants will be exercised, which will provide further cash to the Group of £2,036,955.

As outlined in the Strategic Report, during the year to 30 June 2020, the Group announced a significant restructure, with a view to delivering a reduction in the operating cost base, through focusing on three core areas in which the business already enjoys a competitive advantage and in which the directors believe it can drive profitable growth;

- Gfinity's own Digital Media Network monetised through advertising, branded partnerships and affiliate referral income.
- Jointly owned partnerships, such as that which commenced shortly following the year end with Abu Dhabi Motorsports Management, in which Gfinity retains a share in the commercial rights.
- Building digital audience and engagement on a paid for service delivery basis for partners including major sports rights holders, games publishers, media businesses and corporate brands.

Management have prepared forecasts to 31 December 2021, which indicate that if targeted profitability is achieved then current cash reserves, supplemented by expected further exercise of warrants as outlined above, would provide sufficient funding to allow the Group to continue operating for a period of at least 12 months following the approval of these financial statements.

As a result, the directors do not believe that further cash is required in order to deliver on current plans for the business. It should be noted, however, that in a sector that is still rapidly developing and in a period of political and economic uncertainty, there are inherent uncertainties within the forecasts. In this regard, in a period in which a high level of revenue growth is expected, cash flow forecasts are particularly sensitive to the delivery of new client contracts. While the directors are confident that these contracts will be secured, the timing of this cannot be certain. In this context, there remains a material risk that the cash flow forecasts are not met, which would result in additional funding being required and therefore the directors assessment of the likelihood of being able to raise such funding is critical to their conclusion that there is no material uncertainty in relation to the Group and the Company's ability to continue as a going concern.

In the event that further cash reserves were required, given the continued support of the Group's major shareholders, strong investor support for Gfinity shares over recent months and high levels of investment activity in the whole sector, it is the belief of the directors that the Group would be able to secure such additional investment. This is evidenced by the fact that Gfinity was able to secure an oversubscribed placing in April of this year at a time of peak uncertainty in the financial markets and at a point at which the size of Gfinity's forward order book and its owned digital community was significantly below its current level. On that basis, the directors believe that it is appropriate for the accounts to be prepared on a going concern basis.

Notwithstanding this confidence over the availability of cash reserves to meet existing plans, the directors are also conscious of the extent to which a drive to break even in the near term may mean that certain

investment opportunities are not pursued. This could result in the business not fully capitalising on the market leading position it has created within the sector. To that end, on 9 October 2020, the Group announced the initiation of strategic review process, in order to identify a potential strategic investment partner, who would not only bring the funding to support further growth opportunities, but also help to drive scale and reach to deliver on the full potential of the position created.

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.

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 programme delivery 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, or cost per mille (CPM) basis.
- 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.
- Consultancy Fees: Revenue is recognised in line with the profile of resources dedicated to the programme across the assignment duration.

Leases and right-of-use-assets

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 end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is 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 measured at amortised cost using the effective interest method, and is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Short-term leases and leases of low-value assets:

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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.

Credits in respect of Research and Development activities are recognised at the point at which the asset becomes profitable and quantifiable. This is typically at the point at which a claim has been prepared and submitted to HMRC.

Share based payments

The Company provides equity-settled share-based payments in the form of share options. Equity-settled

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

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

Property, plant and equipment

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

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

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

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

Intangible fixed assets

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

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	5 years straight line
Customer Relationships	5 years

Research and development costs

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

Research expenditure that does not meet this criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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.

Warrants

Warrants are in respect of call options granted to investors by the group and are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The fair value of warrants is determined at the date of grant and is recognised in equity. When the warrants are exercised, the group transfers the appropriate amount of shares to the investor, and the proceeds received net of any directly attributable transaction costs are credited directly to equity.

The group uses an appropriate valuation model utilising a Black-Scholes model in order to arrive at a fair value at the date warrants are granted.

Government Grants Policy

Grants that compensate the group for expenses incurred are recognised in profit or loss as other income in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

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 a 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 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 year to 30 June 2018. 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 it was decided that there were indicators of impairment only in respect of the asset attached to CEVO customer relationship, where third party revenues had fallen below the levels used in the calculations of the asset value. Following further review of updated cash flow projections relating to the relationship, it was determined that no impairment was required. This further testing is discussed in the 'Impairment testing' section 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:

In assessing the goodwill carried in respect of the CEVO acquisition, three principal sets of cash flows were considered:

- Expected operating cash flows from CEVO, Inc entity. An assumption of 5% revenue growth p.a. was applied to actual revenue in FY20. Staff costs were assumed to rise at 2.5% p.a. on a per head basis, with the number of development staff rising from 5 to 8 across the first 4 years of the plan, remaining constant thereafter. Non-staff costs were also assumed to increase at 2.5% p.a.
- Savings on development expenditure across the Gfinity Group, through the use of CEVO resource rather than external freelancers across multiple client and internal projects. Projected costs were estimated based on actual per head costs for development resource in FY20, increasing in line with the staff numbers assumed in the operating cash flows. Freelancer rates were based on market rates for equivalent resource. The projections assumed a consistent split in time between internal and external CEVO projects as seen in FY20. Both actual and freelancer costs were increased at a compound annual growth rate (CAGR) of 2.5% p.a. throughout the period.
- Gross profit generated across the group through deployment of CEVO technology, including the tournament platform and community building toolset. Based on actual revenue for FY20, growing at a CAGR of 5% throughout the period.

All cash flows were considered over a 5-year period, with a terminal value applied to cash flows beyond that date. A discount factor of 13%, unchanged from prior year calculations, was applied in order to determine the present value of these cash flows.

The calculations indicated an NPV of £2.9m, a £2.0m surplus over the carrying value of the combined value of the goodwill and intangible assets.

Goodwill carried in relation to Real Sport:

The carrying value of goodwill in relation to RealSport was assessed using the bottom up financial model created as part of the business planning process, which reflects the strong growth in both audience and monetisation seen through FY20.

This model assumes a monthly average number of unique visitors to the platform through FY21 of 7.7m. By way of comparison the monthly average for the final quarter of FY20 was 4.0m, which represented a 210% uplift on the figure for the equivalent period in FY19. Thereafter it is assumed that audience numbers will increase at 30% p.a. for the first 2 years, before levelling off slightly with a 5% increase thereafter.

Revenue has been calculated using a blended rate, factoring in both real time bidding and direct sale banner advertising, video advertising and cost per click affiliate revenues, giving an overall rate of 10p per annum per monthly average user.

CEVO customer relationships:

The remaining value of CEVO customer relationship was assessed by way of an NPV analysis of revenue and costs expected from the customer in question across the remaining two years of the original intangible asset life.

Both revenue and cost for FY21 as part of this analysis were set in line with actuals for FY20, prior to a 10% uplift in FY22, as further expansion of the CEVO product, across the clients global network are expected. Cash flows were discounted using a cost of capital of 13%.

The result of the above analysis gave an NPV of £0.2m, in line with the carrying value of the intangible. No impairment is therefore proposed.

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 10(c).

Share based payments and warrants:

The Company issues equity-settled share-based payments to certain employees and has issued warrants to investors. Such 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 22 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 30 June 2020 included £0.7m included in the contract liability balance at the beginning of the period (2019: £0.9m).

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

	30-Jun-20			30-Jun-19		
	Gfinity	CEVO	Total	Gfinity	CEVO	Total
United Kingdom	3,431,492	-	3,431,492	7,082,948	-	7,082,948
North America	27,206	157,829	185,035	539,210	248,007	787,218
ROW	869,039	-	869,039	-	-	-
Total	<u>4,327,736</u>	<u>157,829</u>	<u>4,485,565</u>	<u>7,622,159</u>	<u>248,007</u>	<u>7,870,166</u>

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

	30-Jun-20			30-Jun-19		
	Gfinity	CEVO	Total	Gfinity	CEVO	Total
Services transferred at a point in time	2,582,447	-	2,582,447	5,251,702	27,778	5,279,480
Services transferred over time	1,745,289	157,829	1,903,118	2,370,457	220,230	2,590,686
Total	<u>4,327,736</u>	<u>157,829</u>	<u>4,485,565</u>	<u>7,622,159</u>	<u>248,007</u>	<u>7,870,166</u>

As at 30 June 2020 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

	Jun-20	Jun-19
Trade Receivables	£608,189	£1,085,158
Contract Assets	£154,287	£418,286
Contract Liabilities	£358,246	£521,010

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 £0.5m was recognised in the year ending 30 June 2020 that was held as a contract liability as 30 June 2019. 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 2020			30 June 2019		
	Gfinity	CEVO	Group	Gfinity	CEVO	Group
Revenue	4,327,736	157,829	4,485,565	7,622,158	248,007	7,870,166
Loss	(6,472,673)	(1,252,633)	(7,725,307)	(11,481,149)	(513,259)	(11,994,408)

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

The Group has three 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: £1.9m, £0.9m, and £0.5m. The customers are major sports rights holders, financial services and media companies. 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:

	Year ended 30 June 2020	Group Year ended 30 June 2019
Depreciation of property, plant and equipment	370,589	399,307
Depreciation on Right of Use assets	571,074	-
Amortisation & impairment of intangible fixed assets	478,553	1,036,163
Rentals under short-term leases	514,106	613,861
Expensed development costs	185,376	190,308
Staff costs (see note 8)	5,781,866	5,648,905
Costs of inventories expensed	-	-
Auditors' remuneration for auditing the accounts of the Company	45,000	47,500
Auditors' remuneration for other non-audit services:		
- Other services supplied pursuant to such legislation	-	-
- Other services related to taxation	2,500	2,500
- All other services	8,975	8,975
Net foreign exchange (gains)/ losses	(3,453)	24,546

7. OTHER INCOME

There are no unfulfilled conditions or other contingencies attaching to these grants. Other income reflects government grant income received in the year in respect of the furlough scheme.

	Group	
	Year ended 30 June 2020	Year ended 30 June 2019
	£	£
Government grant income	73,041	-

8. 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 2020	Year ended 30 June 2019	Year ended 30 June 2020	Year ended 30 June 2019
54	62	48	53

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

	Year ended 30 June 2020	Group Year ended 30 June 2019	Year ended 30 June 2020	Company Year ended 30 June 2019
Wages and salaries	3,762,138	4,081,674	3,403,736	3,723,272
Social security costs	449,154	474,358	420,354	445,557
Pensions	70,000	42,871	68,873	41,744
Equity settled	1,500,573	1,050,002	1,500,573	1,050,002
	<u>5,781,866</u>	<u>5,648,905</u>	<u>5,393,536</u>	<u>5,260,575</u>

Total remuneration for Directors during the year was £806,608 (2019: £1,347,307).

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

9. FINANCE INCOME/COSTS

	Group	
	Year ended 30 June 2020	Year ended 30 June 2019
	£	£
Interest income on bank deposits	2,622	6,481
Finance lease interest	(37,257)	-
Other interest cost	-	(1,583)

10. TAXATION

(a) Major components of taxation expense for the period ended 30 June 2020 are:

	Group	
	Year ended 30 June 2020	Year ended 30 June 2019
	£	£
Income statement		
<i>Current tax</i>		
Corporation tax charge / (credit)	(227,004)	-
Total current tax	<u>(227,004)</u>	<u>-</u>
<i>Deferred tax</i>		
Relating to origination and reversal of temporary differences	<u>(230,659)</u>	<u>(59,832)</u>
Taxation charge / (credit) reported in the income statement	<u><u>(457,663)</u></u>	<u><u>(59,832)</u></u>

(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% (2019: 19%), to taxation expense at the Company's effective tax rate for the period is as follows:

	Group	
	Year ended 30 June 2020	Year ended 30 June 2019
	£	£
Loss on ordinary activities before taxation	(8,182,970)	(12,054,190)
Profit / (Loss) multiplied by rate of tax	(1,554,764)	(2,290,296)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	349,439	401,150
Movement in unrecognised deferred tax arising from tax losses	1,135,046	1,632,636
Movement in unrecognised deferred tax arising from other temporary timing differences	(160,379)	196,678
Adjustment in respect of R&D tax credits	(227,004)	0
Taxation charge/ (credit) reported in the income statement	<u>(457,663)</u>	<u>(59,832)</u>

(c) Unrecognised deferred tax asset

The Group has an unrecognised deferred tax asset arising from trading losses carried forward of £7,310,022 (2019: £6,174,976) calculated at the substantively enacted Corporation tax rate at the balance sheet date of 19% (2019: 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.

11. PROPERTY PLANT AND EQUIPMENT

Group Property Plant and Equipment

	Office equipment	Computer & production equipment	Leasehold Improvement	Total
	£	£	£	£
Cost				
At 1 July 2018	21,983	853,662	587,356	1,463,001
Additions	40,311	50,401	34,506	125,218
Disposals	0	(1,847)	0	(1,847)
	<u>62,294</u>	<u>902,216</u>	<u>621,862</u>	<u>1,586,373</u>
Depreciation				
At 1 July 2018	9,530	502,201	192,410	704,141
Charge for the period	5,536	238,915	154,940	399,391
Disposals	0	(273)	0	(273)
	<u>15,066</u>	<u>740,843</u>	<u>347,350</u>	<u>1,103,260</u>
Net book value				
At 30 June 2019	47,228	161,373	274,512	483,113
	<u>12,453</u>	<u>351,461</u>	<u>394,946</u>	<u>758,860</u>

	Office equipment	Computer & production equipment	Leasehold Improvement	Total
	£	£	£	£
Cost				
At 1 July 2019	62,294	902,216	621,862	1,586,372
Additions	849	87,362	12,701	100,912
Disposals	0	0	0	0
	<u>63,143</u>	<u>989,578</u>	<u>634,563</u>	<u>1,687,284</u>
Depreciation				
At 1 July 2019	15,066	740,843	347,350	1,103,259
Charge for the period	14,776	177,229	178,731	370,736
Disposals	0	0	0	0
	<u>29,842</u>	<u>918,074</u>	<u>526,081</u>	<u>1,473,995</u>

Net book value				
At 30 June 2020	<u>33,301</u>	<u>71,504</u>	<u>108,482</u>	<u>213,289</u>
At 30 June 2019	<u>47,228</u>	<u>161,373</u>	<u>274,512</u>	<u>483,113</u>

Company Property, Plant and Equipment

	Office equipment	Computer & production equipment	Leasehold Improvement	Total
	£	£	£	£
Cost				
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)
At 30 June 2019	<u>50,894</u>	<u>878,100</u>	<u>621,861</u>	<u>1,550,855</u>
Depreciation				
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)
At 30 June 2019	<u>12,504</u>	<u>731,898</u>	<u>347,350</u>	<u>1,091,752</u>
Net book value				
At 30 June 2019	<u>38,390</u>	<u>146,202</u>	<u>274,511</u>	<u>459,103</u>
At 30 June 2018	<u>6,049</u>	<u>338,859</u>	<u>394,945</u>	<u>739,853</u>

	Office equipment	Computer & production equipment	Leasehold Improvement	Total
	£	£	£	£
Cost				
At 1 July 2019	50,894	878,100	621,861	1,550,855
Additions	849	84,894	12,701	98,444
Disposals	0	0	0	0
At 30 June 2020	<u>51,743</u>	<u>962,994</u>	<u>634,562</u>	<u>1,649,299</u>

Depreciation

At 1 July 2019	12,504	731,898	347,350	1,091,752
Charge for the period	14,776	176,864	178,731	370,371
Disposals	0	0	0	0
At 30 June 2020	27,280	908,762	526,081	1,462,123
Net book value				
At 30 June 2020	24,463	54,232	108,481	187,176
At 30 June 2019	38,390	146,202	274,511	459,103

12. RIGHT OF USE ASSETS

The carrying value of right-of-use assets by class is:

	Premises
	£
Cost	
At 30 June 2019	–
On adoption of IFRS 16	999,379
At 30 June 2020	999,379
Accumulated depreciation	
At 30 June 2019	–
Charge for the year	571,074
At 30 June 2020	571,074
Net carrying amount	
At 30 June 2020	428,305
At 30 June 2019	–

Transition and lease accounting under IFRS 16

Up to 30 June 2019, leases entered into by the company were classified as either finance leases or operating leases under IAS 17. As a result of adopting IFRS 16, from 1 July 2019 leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments less any lease incentives receivable. Payments to be made under extension options that are reasonably certain to be exercised are also included in the measurement of the liability.

Lease payments are discounted using the company's incremental borrowing rate, being the rate that the company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The directors have estimated this rate to be 5% per annum.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising: the amount of the initial measurement of lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs; and restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

On transition, the company adopted the modified retrospective approach permitted by IFRS 16. For leases classified as operating leases under IAS 17 the company recognised right-of-use assets at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

As a result, the company has not restated comparative figures for the year ended 30 June 2019 and no adjustment to the company's equity was required on transition.

On 1 July 2019, the date of transition to IFRS 16, the company recognised a right-of-use asset in respect of its head office of £ 999,379 as shown above. No subsequent additions were made during the year. Depreciation of £ 571,074 was charged in the year in respect of the head office. Cash outflows in respect of the company's leasing activities were £ 597,013.

13. INTANGIBLE FIXED ASSETS

Group Intangible Fixed Assets

	Customer Relationship	Real Sport Web Platform	CEVO Gaming Platform	Software Developme nt	Total
	£	£	£	£	£
Cost					
At 1 July 2018	1,198,661	935,518	281,383	148,750	2,564,312
Additions	-	-	-	-	-
At 30 June 2019	1,198,661	935,518	281,383	148,750	2,564,312
Amortisation					
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
At 30 June 2019	867,197	405,220	109,152	148,750	1,530,319
Net book value					
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

	Customer Relationships £	RealSport Platform £	Cevo Gaming Platform £	Assets Under Construction £	Software Development £	Total £
Cost						
At 1 July 2019	1,198,661	935,518	281,383	-	148,750	2,564,312
Additions	-	-	-	57,724	-	57,724
Disposals	-	-	-	-	-	-
At 30 June 2020	1,198,661	935,518	281,383	57,724	148,750	2,622,036
Amortisation						
At 1 July 2019	867,197	405,220	109,152	-	148,750	1,530,319
Charge for the period	108,414	313,553	56,586	-	-	478,553
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
At 30 June 2020	975,611	718,773	165,738	-	148,750	2,008,872
Net book value						
At 30 June 2020	223,050	216,745	115,645	57,724	-	613,164
At 30 June 2019	331,464	530,298	172,231	-	-	1,033,993

Company Intangible Fixed Assets

	Assets Under Construction £	Software Development £	Total £
Cost			
At 1 July 2018	-	148,750	148,750
Additions	-	-	-
At 30 June 2019	-	148,750	148,750
Amortisation			
At 1 July 2018	-	124,942	124,942
Charge for the period	-	23,808	23,808
At 30 June 2019	-	148,750	148,750
Net book value			
At 30 June 2019	-	-	-
At 30 June 2018	-	23,808	23,808

	Assets Under Construction	Software Development	Total
	£	£	£
Cost			
At 1 July 2019	-	148,750	148,750
Additions	57,724	-	57,724
At 30 June 2020	<u>57,724</u>	<u>148,750</u>	<u>206,474</u>
Amortisation			
At 1 July 2019	-	148,750	148,750
Charge for the period	<u>-</u>	<u>-</u>	<u>-</u>
At 30 June 2020	<u>-</u>	<u>148,750</u>	<u>148,750</u>
Net book value			
At 30 June 2020	<u>57,724</u>	<u>-</u>	<u>57,724</u>
At 30 June 2019	<u>-</u>	<u>-</u>	<u>-</u>

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.

Assets under construction relate to costs incurred in the implementation of a new ERP system for the company.

14. GOODWILL

Group

	Goodwill
	£
Cost	
At 1 July 2019	2,544,526
Additions	-
At 30 June 2020	<u>2,544,526</u>
Impairment	
At 1 July 2019	-
Charge for the period	<u>-</u>
At 30 June 2020	<u>-</u>

Net book value	
At 30 June 2020	2,544,526
	<hr/> <hr/>
At 30 June 2019	2,544,526
	<hr/> <hr/>

The goodwill has arisen on the acquisitions of 100% of the share capital of CEVO Inc. and RealSM Ltd in the year ended 30 June 2018. 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.

15. INVESTMENT IN SUBSIDIARIES

	30 June 2020	Company 30 June 2019
	£	£
At 1 July	4,466,133	4,466,133
Investment in subsidiary	-	-
At 30 June	<hr/> <hr/> 4,466,133	<hr/> <hr/> 4,466,133

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

RealSM is exempt from the requirements of the Act relating to the audit of individual accounts in accordance with 479A of the C.A. 2006.

16. INVESTMENT IN ASSOCIATES

Group		Company	
30 June 2020	30 June 2019	30 June 2020	30 June 2019
£	£	£	£

At 1 July	-	264,464	-	- 264,464
Investment	308,214	727,487	308,214	727,487
Share of Losses	(308,214)	(877,967)	(308,214)	(877,967)
Impairment	-	(113,984)	-	(113,984)
At 30 June	-	-	-	-

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 Esports Australia on its incorporation in August 2017. During the period, Gfinity Esports Australia ceased trading. As a result the carrying value of all investment into the entity has been written off in full. Both investments are held in Gfinity plc

Associate undertaking	Country of incorporation	Holding	Proportion of voting rights and capital held	Nature of business
Esports Industry 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.

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	£	£	£	£
Trade receivables	831,580	1,085,268	831,580	1,054,816
Provision for doubtful debts	(250,110)	(110)	(250,110)	(110)
	581,470	1,085,158	581,470	1,054,706
Other receivables	308,495	374,058	308,495	374,058
Amounts due from group undertakings	-	-	-	-
Amounts due from related undertakings	-	51,214	-	51,214
Prepayments and accrued income	501,367	710,933	448,095	647,321

Amounts due in less than one year	1,391,332	2,221,364	1,338,060	2,127,299
Amounts due from group undertakings	-	-	1,505,740	1,532,050
Prepayments and accrued income	-	101,015	-	101,015
Total	1,391,332	2,322,379	2,843,800	3,760,364

Amount due from group undertakings of £1,505,740 are considered to be due in more than one year (2019: £1,532,050) 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.

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	£	£	£	£
Cash at bank and in hand	1,600,597	598,324	1,531,360	552,946
Short-term deposit	-	50,130	-	50,130
	<u>1,600,597</u>	<u>648,454</u>	<u>1,531,360</u>	<u>603,076</u>

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

19. TRADE AND OTHER PAYABLES

	Group		Company	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	£	£	£	£
Trade payables	450,262	1,448,232	416,865	1,412,800
Other taxation and social security	103,930	148,589	91,117	139,597
Accrued expenditure and deferred revenue	910,582	1,388,221	910,582	1,388,219

Amounts owed to group undertakings	-	-	-	-
Lease Liabilities	428,305	-	428,305	-
	<u>1,893,081</u>	<u>2,985,042</u>	<u>1,846,869</u>	<u>2,940,616</u>

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

20. 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 2018	<u>286,348,210</u>	<u>286,348</u>
Issued on 17 September 2018 at £0.1038	1,548,877	1,549
Issued on 9 November 2018 at £0.08	<u>75,000,000</u>	<u>75,000</u>
As at 30 June 2019	362,897,087	362,897
Issued on 31 July 2019 at £0.045	116,666,666	116,667
Issued on 2 April 2020 at £0.01	56,839,167	56,839
Issued on 21 April 2020 at £0.01	168,160,833	168,161
Issued between 22 April and 30 June 2020 at £0.01	21,304,500	21,305
As at 30 June 2020	<u>725,868,253</u>	<u>725,868</u>

21. 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 2020 £	Year to 30 June 2019 £	Year to 30 June 2020 £	Year to 30 June 2019 £
Loss attributable to shareholders from continuing operations	(7,731,424)	(12,098,698)	(7,493,221)	(9,970,720)
Profit attributable to shareholders from discontinued operations	-	1,911		
	Number 000's	Number 000's	Number 000's	Number 000's
Weighted average number of ordinary shares	518,172	335,573	518,172	335,573
	£	£	£	£
Loss per ordinary share for continuing operations	(0.01)	(0.04)	(0.01)	(0.03)
Profit per ordinary share for discontinued operations	0.00	0.00		

22. SHARE BASED PAYMENTS

Equity-settled share option plans

Options

The Company has a share option scheme for 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 2020. A total of 47,075,621 were granted in the year. No options were exercised during the year. A total of 28,344,836 were replaced with new option

grants in the year and 3,897,553 lapsed due to members of staff leaving. The total number of outstanding options in issue at 30 June 2020 is 69,193,027 (2019: 54,359,795).

	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)
LTIP Share Options as at 30 June 2019	46,859,795	0.1382

	Number	Weighted average exercise price (£)
<i>LTIP options</i>		
Shares Options as at 30 June 2019	46,859,795	0.1382
Shares Options Granted	47,075,621	0.0125
Share Options Replaced	(28,344,836)	(0.1267)
Share Options Forfeited	(3,879,553)	(0.1323)
LTIP Share Options as at 30 June 2020	61,693,027	0.0486

Options for non-employee services

Non-market condition shares	Number	Weighted average exercise price (£)
Shares Options as at 30 June 2019	7,500,000	0.20
Shares Options Granted	-	-
Share Options Lapsed	-	-
Share Options as at 30 June 2020	7,500,000	0.20

Options vest over periods defined in the respective option agreements and at the discretion of the board of directors. 28,837,544 options vested during the year (2019: 10,726,129).

Of the options outstanding 20,000,000 (2019: 32,600,133) are held by directors. Full details of all options held by directors are contained within the Directors' Remuneration Report.

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

	Year ended 30 June 2020	Year ended 30 June 2019
Weighted average exercise price	£0.0125	£0.1382
Average expected life	1.0 years	1.0 years
Expected volatility of options granted in year	81.01%	90.02%
Risk free rate	0.00%	1.11%
Expected dividend yield	<u>0%</u>	<u>0%</u>

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 2020 was £0.0486 (2019: £0.1382). The weighted average fair value of options issued during the period was £0.0125 (2019: £0.1230).

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 over the year prior to the date of grant.

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 (2019: £nil).

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

23. WARRANTS

The Company has granted warrants over Ordinary Shares as outlined in the table below.

	Number	Weighted average exercise price (£)
<i>Warrants</i>		
Warrants as at 30 June 2019	-	-
Warrants granted	225,000,000	0.01
Warrants exercised	(21,304,500)	0.01
Warrants lapsed/ forfeited	-	-
Warrants as at 30 June 2020	203,695,500	0.01

225,000,000 Warrants were granted on completion of the fundraise on 21 April 2020. This figure represented one warrant per ordinary share acquired as part of the fundraise at an exercise price equal to that at which shares were acquired in the fundraise. All warrants are non-transferrable and have an exercise period of 18 months from the date of issue.

The fair value of warrants was calculated according to the Black Scholes model, however, no adjustment has been recognised in respect of the warrants, as directors consider this amount to be immaterial.

24. RELATED PARTY TRANSACTIONS

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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, the directors also participated in share placings as outlined in the table below. All shares subscribed for by directors were at the same price and under the same conditions as all other participants in the placings:

	July 2019 placing at 4.5p per ordinary share	April 2020 placing at 1p per ordinary share
Garry Cook	333,334	n/a
Graham Wallace	222,222	n/a
John Clarke	222,222	500,000
Jonathan Hall	222,222	500,000
Preeti Mardia	111,112	-

Transactions with Group subsidiaries in the year:

CEVO: There was a management recharge from Gfinity to CEVO of £95,767 (2019: nil) and a recharge from CEVO to Gfinity for technology services of £719,953 (2019: nil). There were also cash advances to and expenses paid on behalf of CEVO by Gfinity of £440,200 (2019: £476,208). At the balance sheet date the intercompany loan due to Gfinity from CEVO was £528,481 (2019: £712,467).

Real Sport: There were cash advances to and expenses paid on behalf of Real Sport by Gfinity of £157,677 (2019: £471,740). At the balance sheet date the intercompany loan due to Gfinity from Real Sport was £977,260 (2019: £819,583).

There was no revenue from transactions with associates in the year (2019: £98,600 from the Esports Awards Ltd and £379,848 with Gfinity Australia). At year end £51,214 remained outstanding from the Esports Awards Ltd.

25. LEASES COMMITMENTS (IAS 17)

As of 30 June 2019, the Group and Company had commitments under non-cancellable operating leases (as defined by IAS 17 Leases) as follows:

	Land and Buildings	
	Group 30 June 2019	Company 30 June 2019
	£	£
Within one year	856,368	856,368
In the second to fifth years	447,759	447,759
Total	1,304,127	1,304,127

From 1 July 2019, the company has recognised right-of-use assets for these leases in line with the requirements of IFRS 16 Leases, and liabilities relating to leases are included in trade and other payables (note 18).

26. NOTES TO THE CASH FLOW STATEMENT

	Group 30 June 2020	30 June 2019	Company 30 June 2020	30 June 2019
Cash flows from operating activities				

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Loss before taxation	(7,725,307)	(12,056,151)	(7,720,225)	(9,971,259)
<i>Adjustments for:</i>				
Depreciation of property, plant and equipment	370,589	399,307	370,371	396,008
Depreciation on Right of Use assets	571,074	-	571,074	-
Amortisation & impairment of intangible fixed assets	478,553	1,036,163	-	23,807
Interest Received	(2,622)	(6,481)	(2,622)	(6,481)
Interest Payable	39,768	-	39,768	-
Share based payments	1,500,573	1,050,002	1,500,573	1,050,002
Fair Value Adjustment on Deferred Consideration	-	(166,504)	-	(166,504)
Share of Associate Losses	308,214	991,951	308,214	991,951
Revenue Settled Via Equity	-	(420,232)	-	(420,232)
Gain on disposal of subsidiary	-	-	-	(49,999)
Bad Debt Charge	-	28,295	-	28,295
Gain on disposal of discontinued operations	-	-	-	-
<i>Changes in working capital:</i>				
Decrease/(Increase) in Inventories	-	-	-	-
(Increase)/ decrease in trade and other receivables	1,158,051	(191,435)	1,143,568	(350,307)
Increase in trade and other payables*	(1,531,582)	710,028	(1,533,368)	736,244
Corporation tax (paid)/ R&D credits received	-	153,539	-	153,539
Taxation Charge	(457,663)	-	-	-
Cash used by operating activities	(5,290,351)	(8,470,887)	(5,322,647)	(7,579,304)
Interest paid	-	-	-	-
Net cash used by operating activities	(5,290,351)	(8,470,887)	(5,322,647)	(7,579,304)

27. 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.

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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 2020	30 June 2019	30 June 2020	30 June 2019	
	£	£	£	£	
	1,146,912	1,243,834	2,599,380	2,745,432	

The trade receivables balance represents amounts due from third parties. At the balance sheet date, the Group's trade receivables totalled £831,580 less a provision of £250,110 (2019: £1,085,268 less a provision of £110). The Company's receivables include £1,505,740 of inter-company funding (2019: £1,532,050). The Company's trade receivables totalled £831,580 less a provision for doubtful debt of £250,110 (2019: £1,054,816 less a provision for doubtful debt of £110).

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 an amount of £285,437 was due from one customer representing a concentration of credit risk. This amount has been recovered in full 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.

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

	Group			
	June 2020		June 2019	
	USD (\$)	GBP (£)	USD (\$)	GBP (£)
Trade and other receivables	0	990,979	882,474	441,582
Accrued income	65,890	102,661	80,783	354,674
Cash	92,689	1,525,657	316,422	399,288
Trade and other payables	(39,588)	(1,861,075)	(102,803)	(1,367,280)

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Derivative Financial Instruments	-	-	-	-
Net Current Assets/ Liabilities	118,991	758,223	1,176,876	(171,736)

Company

	June 2020		June 2019	
	USD (\$)	GBP (£)	USD (\$)	GBP (£)
Trade and other receivables	-	990,979	843,801	441,582
Amounts due from Group Undertakings	-	1,505,740	-	1,532,050
Accrued income		102,661		354,674
Cash	31,645	1,505,775	265,100	394,324
Trade and other payables	-	(1,846,869)	(86,079)	(1,345,017)
Derivative Financial Instruments	-	-	-	-
Net Current Assets/ Liabilities	31,645	2,258,286	1,022,822	1,377,613

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.

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28. Deferred tax**Group**

	2020	2019
	£	£
At 1 July	(322,718)	(366,245)
Acquisition of subsidiary	-	-
Credited to profit or loss	230,659	43,526
At 30 June	<u>(92,059)</u>	<u>(322,718)</u>

The provision for deferred taxation is made up as follows:

	2020	2019
	£	£
Temporary timing differences on intangible assets	92,059	322,719
	<u>92,059</u>	<u>322,719</u>

29. Discontinued operations*Profit on sale of subsidiary*

	1 July 2019 to 30 June 2020	1 July 2018 to 30 June 2019
Consideration received or receivable:		
Cash	-	45,000
Total disposal consideration	<u>-</u>	<u>45,000</u>
Carrying amount of net assets sold	-	(37,982)
Gain on sale before income tax	<u>-</u>	<u>82,982</u>
Tax expense on gain	-	(15,767)
Gain on sale after income tax	<u>-</u>	<u>67,215</u>

Losses of Subsidiary in the year

	1 July 2019 to 30 June 2020	1 July 2018 to 30 June 2019
Revenue	-	-
Cost of Sales	-	(17,914)
Gross Profit / (Loss)	<u>-</u>	<u>(17,914)</u>
Administrative Expenses	-	(47,389)
Profit / (Loss)	<u>-</u>	<u>(65,303)</u>