VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES | ABN 36 147 193 511

VGW ANNUAL REPORT 2020

VGW™
VIRTUAL GAMING WORLDS

CONTENTS

Directors

Laurence Escalante
Executive Chairman & Chief Executive Officer

Mats Johnson
Executive Director & Chief Marketing Officer

Lorenzo Escalante
Non-executive Director

Paul Manalac
Alternate Director to Lorenzo Escalante from 23 August 2019 to 5 September 2019, reappointed from 16 December 2019

Nigel Blythe-Tinker
Executive Chairman, ceased to hold office on 5 August 2019

Company secretaries

Michael Thunder
Rointon Nugara – ceased to hold office on 13 May 2020

Registered office & principal place of business

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

Share registry

Advanced Share Registry Services
110 Stirling Hwy, Nedlands WA 6009

Auditor

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

Website

https://vgw.co

The Directors of VGW Holdings Limited present their report together with the financial statements of the consolidated entity, (referred to hereafter as the "consolidated entity" or "Group") for the year ended 30 June 2020.

Principal activities

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

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

Review of operations and financial results

Revenue from operations was $778.8 million, up 122%. Increased revenue was attributable to significant revenue growth for both Chumba Casino and the Group's growing new segment, Luckyland Slots. Global Poker revenue has recovered from a fall in the first half of FY 2020, due to several structural factors. The benefits of a comprehensive recovery plan for Global Poker have been seen in the second half of FY 2020.

Further, the period from January to June 2020 has been an exceptional period for VGW's results. This has, in part, been impacted by the current global pandemic. While a challenging time operationally for our staff and key stakeholders, providing our entertainment services consumed primarily on mobile devices is very popular for our customers. An environment of reduced travel, working from home, and more flexible time have all contributed to increased demand for our offerings.

Underpinning the increase in revenue was a strong marketing campaign. Marketing spending was $58.7 million (2019: $51.3m).

Sweepstakes prizes of $495.8 million (2019: $182.2m) increased 172% broadly in line with revenue.

Operating expenditure also increased to support growth.

The consolidated profit after tax of the Group amounted to $72.1 million (2019: $28.0m, as restated).

As of 30 June 2020, the Group is in a net asset surplus position of $75.6 million (2019: $13.6m, as restated).

The Group generated a net operating cash inflow of $115.8 million. A net investing outflow of $0.7 million, and a net financing cash outflow of $12.7 million which included the payment of an unfranked dividend during the year, totalling $11.3 million.

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

Significant Changes in State of Affairs

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

i. On 19 July 2019, VGW established VGW Canada Inc. in Toronto, Canada, to provide enhanced customer service to the Group's customers.

ii. On 5 August 2019, Mr Nigel Blythe-Tinker left the Company's Board. Mr Laurence Escalante is now Executive Chairman.

Events after the Reporting Period

Other than the following, the directors are not aware of any significant events since the end of the reporting period.

i. On 24 July 2020, VGW issued 30,920,622 options as part of its employee incentive program.

ii. On 30 July 2020, the Company declared a six-cent per ordinary share franked dividend, totalling $34.8 million.

Likely Future Developments

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

Environmental Legislation

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

Directors

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

Name, qualifications & independence status	Experience, special responsibilities and other directorships
Laurence ESCALANTE Executive Chairman & Executive Director	• Laurence is the Founder of VGW and has been the Managing Director since the Company's founding in 2010. • Laurence has 15 years' experience as an executive, founder and investor in the game industry, founding VGW Holdings Limited, Anino Mobile and White Knight Games. • He studied Economics and Actuarial Studies at Macquarie University in Sydney and has 10 years financial planning experience as a technical and investment specialist. • Director from 4 November 2010, Executive Chairman from 5 August 2019.
Mats JOHNSON Executive Director	• Mats is a senior technology and online gaming executive with significant experience in establishing and growing both public and private online businesses globally. • Mats previously held roles as a Director at Coral Eurobet, General Manager at Centrebet and CEO at Playsafe. • He has led large teams and formulated global expansion strategies delivering significant and profitable growth in both new and established markets. • Mats has 20 years of digital and gaming sector expertise, alongside comprehensive M&A experience, having been actively involved in several successful exits of online gaming companies, including the £2.18Bn sale of Coral Eurobet to Gala Group. • Director from 1 November 2015.
Lorenzo ESCALANTE Non-executive Director	• Lorenzo is an experienced systems and business intelligence analyst specialising in quantitative methods for improving business operational efficiency and productivity. He has over 30 years' experience in the corporate IT sector. • He has provided business intelligence consultancies to Chevron, BHP Billiton and Woodside Petroleum; and has been employed by BHP Iron Ore, AAPT, OnePath (ANZ Wealth) and LandCorp (DevelopmentWA). • Lorenzo is a member of the Australian Institute of Company Directors (AICD), the Society of St. Vincent de Paul, NSW Chess Association, and a few Filipino community organisations both in NSW and Western Australia. • Director from 5 August 2014.
Paul MANALAC Alternate Director to Lorenzo Escalante	• Paul was the Alternate Director to Lorenzo Escalante, appointed on 23 August 2019 (to 5 September 2019). • Paul was reappointed as Alternate Director to Lorenzo Escalante on 16 December 2019.

DIRECTORS (Continued)

Name, qualifications & independence status	Experience, special responsibilities and other directorships
Nigel BLYTHE-TINKER Executive Chairman	• Nigel holds a Bachelor of Laws degree (LL.B) and is a Fellow of the Institute of Chartered Secretaries and Administrators (FCIS) of the United Kingdom. He is also a member of the Governance Institute of Australia. • He has extensive UK and international corporate experience over thirty years covering M&A, corporate finance, restructuring, AIM and FTSE 100 flotations, and corporate governance. • Nigel has held senior executive/legal and board positions within companies in the financial services, insurance, industrial and leisure and gaming sectors in mainly public listed companies. He was Group Company Secretary & Head of Legal at William Hill PLC. He was also Non-executive Chairman of Gaming VC Plc, a FTSE 100 listed company. • Prior to joining VGW, Nigel held the role of Chairman of Pentasia Limited, an i-Gaming recruitment business. • Director from 15 August 2015 to 5 August 2019.

Company Secretary

Mr Michael Thunder

Mr Rointon Nugara - ceased to hold office on 13 May 2020

Meetings of Directors	Full Board	
	Attended	Held
Nigel Blythe-Tinker	1	1
Laurence Escalante	9	9
Mats Johnson	9	9
Lorenzo Escalante	7	9
Paul Manalac *	2	6

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

* As the Alternate Director, Paul Manalac was not required to attend the board meetings if Lorenzo Escalante was present.

Dividends

An unfranked two-cent dividend per ordinary share was paid on 7 April 2020. The total amount distributed was $11.3 million (2019: $8.4 million).

Unissued shares under option

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

Options issued under	Grant Date	Number of Options	Expiry Date	Exercise Price ($)
LTIP Tranche 1 (a)	1 Jan 2017	333,333	1 Jan 2022	0.20
LTIP Tranche 1 (b)	31 Jan 2017	7,426,046	31 Jan 2022	0.20
LTIP Tranche 2 (b)	27 Nov 2017	333,333	1 Jan 2022	0.20
STI for Executives	29 Jan 2018	990,000	31 Jan 2021	0.20
LTIP Tranche 4 (a)	31 Jan 2019	370,000	31 Jan 2023	0.20
LTIP Tranche 4 (b)	1 July 2019	100,001	31 Jan 2024	0.40
TOTAL		**9,552,713**		

The above options were issued in accordance with below:

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

In January 2017, VGW established a Long-Term Incentive Plan (LTIP) which is part of VGW's reward strategy in support of the achievement of the Company's business strategy. On 1 July 2018, and 31 January 2019, the Company issued further tranches of options under the terms of the LTIP.

Additionally, the company issued a Short-Term Incentive for its executives.

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

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

Date options granted	Issue price of shares	Number of shares issued
31 January 2017	$0.20	1,125,000
TOTAL		**1,125,000**

Insurance of officers

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

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

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

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

Indemnity of auditors

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

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2020 has been received and can be found on page 10 of the financial report.

Proceedings on behalf of the Company

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

Rounding of Amounts

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

Signed in accordance with a resolution of the Directors:

Laurence ESCALANTE
Director
30 September 2020

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of VGW Holdings Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of (Client name) for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

RJ Isbell

R J Isbell
Partner – Audit & Assurance

Sydney, 30 September 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated entity	
From continuing operations	Note	**2020 $'000**	**2019 $'000 (Restated)**
Revenue	4	778,821	351,349
Sweepstakes prizes		(495,798)	(182,155)
Merchant and affiliate fee		(40,468)	(19,964)
Finance income	5	319	195
Finance costs	5	(157)	(110)
Finance costs – interest expense on lease liabilities	5	(524)	(624)
Other financial items	5	610	(2,261)
Other income	5	7,041	1,296
Marketing and advertising fees	5	(58,742)	(51,285)
Legal and professional fees		(13,971)	(13,856)
Employee benefits expense	7	(44,546)	(35,621)
Share-based payments expense		(462)	(299)
Depreciation and amortisation expense		(6,314)	(5,613)
Technology and other communication expense		(11,684)	(8,263)
Property and occupancy expense		(2,070)	(2,347)
General and administration expense		(5,757)	(5,753)
		(672,523)	**(326,660)**
Profit before income tax		**106,298**	**24,689**
Income tax (expense)/benefit	6	(34,246)	3,274
Profit for the year attributable to members of the Group		**72,052**	**27,963**
Other comprehensive income, net of income tax		**(139)**	**908**
Total comprehensive income for the year attributable to the owners of VGW Holdings Limited		**71,913**	**28,871**

Earnings per share		**Cents**	**Cents**
From continuing operations:			**(Restated)**
• Basic earnings per share	22	12.77	5.00
• Diluted earnings per share	22	12.73	4.88

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

	Note	Consolidated entity 2020 $'000	2019 $'000 (Restated)
Assets			
Current assets			
Cash and cash equivalents	8	142,094	39,211
Trade and other receivables	9	19,466	8,026
Prepayments and other short-term assets	10	10,444	5,631
Total current assets		**172,004**	**52,868**
Non-current assets			
Property, plant and equipment	12	2,731	3,143
Right-of-use assets	13	4,870	6,185
Intangible assets	14	6,305	9,420
Deferred tax assets	6	1,888	3,374
Total non-current assets		**15,794**	**22,122**
Total assets		**187,798**	**74,990**
Liabilities			
Current liabilities			
Trade and other payables	15	11,817	11,598
Contract Liability	16	40,863	30,011
Provisions	17	28,553	10,447
Current tax liabilities		24,638	2,234
Lease liability	13	1,086	2,300
Total current liabilities		**106,957**	**56,590**
Non-current liabilities			
Lease liability	13	4,690	4,536
Provisions	17	512	265
Total non-current liabilities		**5,202**	**4,801**
Total liabilities		**112,159**	**61,391**
NET ASSETS		**75,639**	**13,599**
Equity			
Share capital	19	25,438	24,191
Reserves		2,458	5,329
Retained earnings/(Accumulated losses)		47,743	(15,921)
TOTAL EQUITY		**75,639**	**13,599**

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

Consolidated entity	Share Capital $'000	Convertible Notes $'000	Share-based Payment Reserve $'000	Foreign Currency Reserve $'000	Retained Earnings/ (Accumulated Losses) $'000	Total Equity $'000
Balance at 1 July 2018	22,244	250	4,015	105	(35,469)	**(8,855)**
Issue of share capital	467	-	-	-	-	**467**
Reclassification of options which have lapsed	-	-	(107)	-	-	**(107)**
Employees' long-term incentive plan share options	-	-	408	-	-	**408**
Dividend payment (Note 28)	-	-	-	-	(8,415)	**(8,415)**
Convertible note conversion	250	(250)	-	-	-	**-**
Settlement of loan funded shares	1,230	-	-	-	-	**1,230**
Profit attributable to equity holders (restated)	-	-	-	-	27,963	**27,963**
Other comprehensive income	-	-	-	908	-	**908**
Total comprehensive income for the period (restated)	-	-	-	908	27,963	**28,871**
Restated balance as at 30 June 2019	**24,191**	**-**	**4,316**	**1,013**	**(15,921)**	**13,599**
Balance at 1 July 2019, * as previously reported	24,191	-	4,316	1,013	(17,814)	**11,706**
Impact of restatement (Note 3b)	-	-	-	-	1,893	**1,893**
Restated balance at 1 July 2019	24,191	-	4,316	1,013	(15,921)	**13,599**
Reclassification of options which have lapsed	-	-	(2,918)	-	2,899	**(19)**
Buyback of options	-	-	(326)	-	-	**(326)**
Employees' long-term incentive plan share options	-	-	-	-	-	**-**
Exercise of options (note 19d)	225	-	-	-	-	**225**
Issue of loan funded shares (note 21a)	-	-	512	-	-	**512**
Dividend payment (Note 28)	-	-	-	-	(11,287)	**(11,287)**
Settlement of loan funded shares	1,022	-	-	-	-	**1,022**
Profit attributable to equity holders	-	-	-	-	72,052	**72,052**
Other comprehensive income	-	-	-	(139)	-	**(139)**
Total comprehensive (loss)/income for the period	-	-	-	(139)	72,052	**71,913**
Balance as at 30 June 2020	**25,438**	**-**	**1,584**	**874**	**47,743**	**75,639**

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

Consolidated entity

	Note	2020 $'000	2019 $'000 (Restated)
Cash flows from operating activities			
Receipts from customers		780,145	340,143
Payment to suppliers and employees		(661,401)	(303,047)
Income tax paid		(3,372)	(3,689)
Interest received	5	312	195
Government grants received	5	97	73
Net cash from operating activities	24	115,781	33,675
Cash flows from investing activities			
Payments for property, plant and equipment		(663)	(3,017)
Payment for intangibles and development expenditure		-	(1,284)
Net cash from investing activities		(663)	(4,301)
Cash flows from financing activities			
Settlement of loan funded shares		1,022	1,230
Proceeds from issue of shares		225	467
Dividend payments		(11,287)	(8,415)
Buyback of options		(326)	-
Repayment of borrowings and lease liabilities		(2,340)	(1,496)
Net cash from financing activities		(12,706)	(8,214)
Net increase in cash and cash equivalents		102,412	21,160
Cash and cash equivalents at beginning of year		39,211	18,051
Effects of exchange rate changes		471	-
Cash and cash equivalents at end of year	8	142,094	39,211

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

1. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE

The financial report includes the consolidated financial statements and notes of VGW Holdings Limited and controlled entities ("Group"). The financial report is presented in Australian dollars, which is VGW's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

VGW Holdings Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia.

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

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

The consolidated financial statements for the year ended 30 June 2020 were approved and authorised for issue by the Board of Directors on 30 September 2020.

These financial statements for the year reporting period ended 30 June 2020 have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which a fair value basis of accounting has been applied.

2. NEW AND REVISED STANDARDS

IFRIC 23 — Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

a) Whether an entity considers uncertain tax treatments separately
b) The assumptions an entity makes about the examination of tax treatments by taxation authorities
c) How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credit and tax rates
d) How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatment. The approach that better predicts the resolution of uncertainty needs to be followed. During the year ended 30 June 2020, the Group applied significant judgement in identifying uncertainties over income tax treatments.

Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements. During the year ended 30 June 2020, upon adoption of the Interpretation, the Group determined, based on its tax compliance, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Group has applied AASB Interpretation 23 Uncertainty over Income tax Treatments in this financial report. The interpretation did not have an impact on the consolidated financial statements of the Group.

3. SUMMARY OF ACCOUNTING POLICIES

Overall considerations

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

a. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the Parent and its subsidiaries as at 30 June 2020. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Details for the subsidiaries are provided in Note 11: Controlled Entities.

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

b. Correction of prior period error

During the year ended 30 June 2020, the Group noted that the quantum of unsettled gold coin purchases had increased to a material level and that these amounts had not been accrued for historically. The addition of a range of new payments providers to collect payments from customers contributed to this unsettled amount at any time becoming more material.

The prior period error resulted in an understatement of revenue for the 30 June 2019 financial year and a corresponding understatement of accrued revenue.

In accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors, the Group has adjusted the amount retrospectively by restating the prior comparative reporting period.

In summary, the following adjustments were made to restate the FY 2019 financial statements:

In $'000	As Previously Reported 30 June 2019	Impact of Prior Period Error	As Restated 30 June 2019
Revenue	349,456	1,893	351,349
Trade and other receivables	2,819	5,207	8,026
Contract liability	26,697	3,314	30,011
Equity	11,706	1,893	13,599

3 SUMMARY OF ACCOUNTING POLICIES (Continued)

c. Income Tax

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

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

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

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

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

VGW Holdings Limited and its wholly owned Australian-controlled entity have elected to implement tax consolidation legislation FY 2020 onward.

d. Property, Plant and Equipment

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

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

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

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

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

3 SUMMARY OF ACCOUNTING POLICIES (Continued)

e. Leases

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

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

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

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

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

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

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

f. Financial Instruments

Recognition and derecognition
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

Subsequent measurement of financial assets
For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following categories upon initial recognition:

- financial assets at amortised cost
- financial assets at fair value through profit or loss (FVPL)
- debt instruments at fair value through other comprehensive income (FVOCI)
- equity instruments at fair value through other comprehensive income (FVOCI)

Classifications are determined by both:

- The entity's business model for managing the financial asset
- The contractual cash flow characteristics of the financial assets

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Classification and measurement of financial liabilities
As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. The Group's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for the transaction costs. Subsequently, financial liabilities are measured at amortised cost using the effective interest method. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

g. Impairment

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

The Company makes use of a simplified approach in accounting for trade receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assesses impairment of trade receivables on a collective basis as they possess credit risk characteristics based on days past due. The Company has not experienced credit losses historically and therefore has made no allowance for trade receivables.

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

h. Intangibles other than Goodwill

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

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

Malta Gaming Authority licence
Malta Gaming Authority licence is initially recorded at cost and amortised based on its economic life of nine years.

i. Employee Benefits

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

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

Long-term employee benefits
Group's obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and recognised in profit or loss In the period in which they arise.

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

j. Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

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

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

k. Cash and Cash Equivalents

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

l. Revenue

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

In accordance with AASB 15 Revenue from Contracts with Customers, player purchases of gold coins are recognised over time as revenue based on the player retention period and amortised accordingly.

Facebook and Shared App Revenue
Revenues from Facebook and Shared App are recognised on a gross basis before taking into account the service fee on revenue charged by Facebook and Shared App.

m. Interest Income

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

n. Grants

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

o. Goods and Services Tax

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

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

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

p. Critical Accounting Estimates and Judgements

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

(i) Useful lives of depreciable assets

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

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

(ii) Provisioning of Cashable Sweeps

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

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

For Chumba Casino and Luckyland Slots, the Group uses the whole amount of the period end balance for the provision.

(iii) Revenue recognition

The Group adopted AASB 15: Revenue from Contracts with Customers from 1 July 2017. With the adoption of this standard, revenue is recognised over the retention period of players, which is re-evaluated from time to time to include changes in player behaviour.

The Group accrues for unsettled player purchases on a monthly basis (purchases which have been completed but cash not yet settled to the Group from a payment processor). The same revenue deferral methodology using the retention period of players is applied to both settled and accrued gold coin purchases. Contract Liabilities are treated as a current liability.

For the Financial Year 2020, the Group undertook a new analysis to obtain a more detailed view of player retention periods. The analysis was conducted on a weekly, rather than monthly basis. Between this methodology enhancement and the change in player behaviour as a result of COVID-19, the Group applied its judgement and determined appropriate player retention periods to be 5.57 weeks for Chumba Casino, 8.57 weeks for Global Poker and 6.87 weeks for Luckyland. The Group considers the new accounting estimate more appropriate as it reflects a more comprehensive picture of player behaviour.

In accordance with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors, the Group has adjusted the amount prospectively by including it in profit or loss in the period of the change.

In summary, the following adjustments were made to FY 2020 financial statements:

In $'000	**Impact of Changes in Accounting Estimates**
Revenue	46,735
Contract liability	(46,735)

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

(vi) Income Taxes

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Recognition of deferred tax assets therefore involves judgement regarding timing and the level of future taxable income.

AASB Interpretation 23 clarified the application of the recognition and measurement criteria in AASB 112 Income Taxes where there is an uncertainty over income tax treatments and requires an assessment of each uncertain tax position as to whether it is probable that a taxation authority will accept the position. Where it is not probable, the effect of the uncertainty is reflected in determining the relevant taxable profit or loss, tax bases, unused tax losses and unused tax credits or tax rates.

By its very nature, there is inherent uncertainty within the treatment of particular items for tax and as such management engage with reputable tax advisors to provide guidance and to support their assessments. Whilst there are transactions that have occurred that require judgement, management and the directors are satisfied that based on their assessment of the requirements of AASB 112 Income Taxes, there are no uncertain tax positions that would require recognition or disclosure in the financial statements.

q. Foreign Currency Transactions and Balances

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

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

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

3. SUMMARY OF ACCOUNTING POLICIES (Continued)

Foreign operations
In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the Australian Dollar (AUD) are translated into AUD upon consolidation. The functional currency of VGW Malta Holding Limited and its subsidiaries changed from USD to EUR at the beginning of the period to better reflect the nature of operations of the geographical location of the entities.

The functional currency of the other entities in the Group has remained unchanged during the reporting period.

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

r. Rounding of Amounts

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

4. REVENUE

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

	2020 $'000	2019 $'000 (Restated)
Revenue from Continuing Operations		
Chumba Casino	531,789	209,429
Global Poker	142,733	136,865
Luckyland Slots	104,171	5,001
Facebook/Shared App	128	54
Total revenue	**778,821**	**351,349**

5. OTHER INCOME (COSTS) AND EXPENSES

	2020 $'000	2019 $'000
Finance income		
Interest income	319	195
	319	**195**
Finance costs		
Interest expense	(524)	(624)
Bank and other financial intermediary charges	(157)	(110)
	(681)	**(734)**
Other financial items		
Foreign currency realised (loss)/gains	2,375	146
Foreign currency unrealised gains/(loss)	(1,765)	(2,407)
	610	**(2,261)**
Other income		
Rebate from dividend income	6,913	1,223
Job Action Plan and other income	128	73
	7,041	**1,296**
Marketing and advertisements		
via Facebook	(37,387)	(36,775)
via Non-Facebook	(21,355)	(14,510)
	(58,742)	**(51,285)**

6. INCOME TAX EXPENSE

	2020 $'000	2019 $'000
Current tax expense/(benefit)		
Current year	32,227	3,897
Adjustments for current tax of prior periods	451	(3,986)
Deferred tax expense/(benefit)		
Current year including deferred tax expense/(benefit) on losses	1,142	5,148
Expected income tax expense/(benefit)	33,820	5,059
Adjustments for deferred tax of prior periods	426	(8,333)
Actual tax expense	**34,246**	**(3,274)**

6. INCOME TAX EXPENSE (Continued)

Numerical reconciliation between tax expense to prima facie tax payable		
Profit/(loss) before tax	106,298	22,796
Income tax calculated at 30% (2019: 30%)	31,889	6,839
Increase/(decrease) in income tax expense/(benefit) due to:		
Difference in overseas tax rates	4,865	3,183
Non-allowable items (permanent differences)	(3,385)	(977)
Subtotal	33,369	9,045
Deferred tax asset not brought to account	-	-
Subtotal	**33,369**	**9,045**
Adjustments for current and deferred tax of prior periods	877	(12,319)
Income tax benefit not brought into account (including unused tax losses for which no DTA has been recognised)	-	-
Actual tax expense	**34,246**	**(3,274)**

The franking account balance at the end of the year was 7,057,498 (2019: 3,689,235). Unused tax losses were incurred by Australian entities and overseas subsidiaries.

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

Deferred tax assets on losses have been recognised.

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

Temporary differences	Opening balance	Recognised in profit or loss	Closing balance
Deferred Tax Assets (DTA)			
Unused tax losses	1,991	(1,953)	38
Accruals	844	861	1,705
Other	1,503	(705)	798
Provisions	-	-	-
Total DTA	**4,338**	**(1,797)**	**2,541**
Deferred Tax Liabilities (DTL)			
Intangibles, prepayments and other	(964)	311	(653)
Total DTL	**(964)**	**311**	**(653)**
Net, DTA/(DTL)	**3,374**	**(1,486)**	**1,888**

7. EMPLOYEE BENEFITS EXPENSE

Expenses recognised for employee benefits are analysed below:

	2020 $'000	2019 $'000
Wages and salaries	(33,173)	(28,788)
Social security payments	(3,114)	(2,567)
Termination payments	(1,779)	(1,319)
Other employee related benefits	(6,480)	(2,947)
	(44,546)	**(35,621)**

8. CASH AND CASH EQUIVALENTS

	2020 $'000	2019 $'000
Cash at bank	99,515	19,714
Funds with payment service providers	42,579	19,497
	142,094	**39,211**

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

9. TRADE AND OTHER RECEIVABLES

CURRENT	2020 $'000	2019 $'000 (Restated)
Trade receivables	1	290
Accrued revenue	15,166	5,270
Other receivables		
GST/VAT receivable	4,110	2,466
Other	189	-
	19,466	**8,026**

The trade receivables are current and have been fully paid or settled after balance sheet date. The $189k is a related party receivable from the Executive Chairman and CEO. The amount was fully received as at 31 July 2020.

10. PREPAYMENTS AND OTHER SHORT-TERM ASSETS

	2020 $'000	2019 $'000
Prepayments	3,595	3,238
Restricted funds, bank guarantee and reserves	6,624	2,270
Deposits and bonds	225	123
	10,444	**5,631**

As of 30 June 2020, $2.1m are bank guarantees for leased premises. The $4.0m are restricted funds required from VGW's payment platform service providers.

11. CONTROLLED ENTITIES

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the parent entity. The assets of the subsidiaries have been consolidated on a line-by-line basis in the consolidated financial statements of the Group.

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

Name	Incorporation/ Registration Date	Country of Incorporation	Ownership Interest 2020	Ownership Interest 2019
VGW Malta Holding Limited ^	19 Apr 2016	Malta	99.93%	99.93%
VGW Holdings US Inc.	29 Dec 2017	United States	100.00%	100.00%
VGW Corporation Pty Limited	4 Jan 2018	Australia	100.00%	100.00%
Fendoff Pty Limited	17 Dec 2018	Australia	100.00%	100.00%
VGW Korea Co. Limited ^^	20 Oct 2018	Republic of Korea	100.00%	100.00%
Solstice Solutions Holdings Pty Limited	1 Nov 2019	Australia	100.00%	-
Wholly owned subsidiaries of VGW Malta Holding Limited:				
VGW Malta Limited ^	9 Mar 2016	Malta	99.93%	99.93%
VGW Games Limited ^*	10 Aug 2016	Malta	100.00%	100.00%
Agence V Limited **	5 Oct 2016	Malta	99.93%	99.93%
VGW Administration Malta Limited ^	7 Oct 2016	Malta	99.93%	99.93%
VGW GP Limited ^	23 Nov 2016	Malta	99.93%	99.93%
VGW Canada Inc.	19 July 2019	Canada	100%	-
Wholly owned subsidiaries of VGW Holdings US Inc.				
VGW US, Inc.	28 Aug 2017	United States	100.00%	100.00%
VGW Luckyland, Inc.	29 Dec 2017	United States	100.00%	100.00%

^ VGW Corporation Pty Limited holds the remaining 0.07%.
^^ VGW Korea Co. Limited was liquidated on 14 February 2020.
^* VGW RMG Limited was renamed VGW Games Limited on 2 September 2019.
** VGW Sports Limited was renamed Agence V Limited on 2 September 2019. VGW Corporation Pty Limited holds the remaining 0.07%.

12. PROPERTY, PLANT AND EQUIPMENT

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

	Furniture & Fittings	Software	Office & Computer Equipment	Leasehold Improvement	TOTAL
Cost					
Balance, 1 July 2019	43	43	1,544	2,490	4,120
Additions	22	-	562	80	664
Disposals	-	-	(11)	-	(11)
Balance, 30 June 2020	65	43	2,095	2,570	4,773
Accumulated Depreciation					
Balance, 1 July 2019	(15)	(28)	(620)	(314)	(977)
Depreciation	(9)	(13)	(589)	(462)	(1,073)
Disposals	-	-	8	-	8
Balance, 30 June 2020	(24)	(41)	(1,201)	(776)	(2,042)
Carrying amount, 30 June 2020	**41**	**2**	**894**	**1,794**	**2,731**

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Furniture & Fittings	Software	Office & Computer Equipment	Leasehold Improvement	TOTAL
Cost					
Balance, 1 July 2018	30	43	856	216	1,145
Additions	13	-	730	2,274	3,017
Disposals	-	-	(42)	-	(42)
Balance, 30 June 2019	43	43	1,544	2,490	4,120
Accumulated Depreciation					
Balance, 1 July 2018	(8)	(15)	(197)	-	(220)
Depreciation	(7)	(13)	(423)	(314)	(757)
Balance, 30 June 2019	(15)	(28)	(620)	(314)	(977)
Carrying amount, 30 June 2019	**28**	**15**	**924**	**2,176**	**3,143**

13. LEASES

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

	2020 $'000	2019 $'000
Right-of-use		
Balance, 1 July	6,185	5,614
Additions	781	2,626
Depreciation expense	(2,096)	(2,055)
Balance, 30 June	4,870	6,185
Lease Liabilities		
Less than one year	1,086	2,300
More than one year	4,690	4,536
Amounts recognised in profit or loss		
Interest expense on lease liabilities	(524)	(624)
Rent expense relating to short-term leases	(2,059)	(2,320)
Total cash outflow for the leases	**2,337**	**1,694**

Certain leases contain extension options exercisable by the Group from three to five years while certain leases have no option to renew.

At 30 June 2020, the Group was committed to short-term leases and the total commitment at that date was $1.0m.

The Group is committed to a new lease that has not commenced as of 30 June 2020. This lease will commence on 1 August 2020 with a lease term of five years.

14. INTANGIBLE ASSETS

Summary of license capitalisation and software development costs

	2020 $'000	2019 $'000
Cost		
Balance, 1 July	17,792	16,508
Additions	-	1,284
Foreign currency adjustment	43	-
Balance, 30 June	17,835	17,792
Accumulated Amortisation		
Balance, 1 July	(8,372)	(5,538)
Amortisation	(3,158)	(2,834)
Balance, 30 June	(11,530)	(8,372)
Net book value, 30 June	**6,305**	**9,420**

15. TRADE AND OTHER PAYABLES

	2020	2019
CURRENT	**$'000**	**$'000**
Trade payables	9,565	9,186
Other payables and accruals	2,252	2,412
	11,817	**11,598**

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

16. CONTRACT LIABILITY

The Group adopted AASB 15: Revenue from Contracts with Customers, effective 1 July 2017. Consequently, revenue from player purchases are deferred over the player's retention period. The Contract Liability represents player purchases that are yet to be recognised as revenue over the remaining retention life of players. The balance as of 30 June 2020 is $40.9 million (FY 2019: $30.0 million, as restated).

17. PROVISIONS

	Sweepstakes	Leave Entitlements	Make Good	TOTAL
Balance, 1 July 2019	**8,502**	**1,618**	**592**	**10,712**
Amounts charged as expenses	17,356	973	24	18,353
Balance, 30 June 2020	**25,858**	**2,591**	**616**	**29,065**

17. PROVISIONS (Continued)

The provision for Sweepstakes Liability represents cashable sweepstakes for players which are active within a specified period. Under the Sweepstakes rules, the cashable sweepstakes of players not active within the specified period expire.

Provisioning for Global Poker cashable sweeps is made at 60% of the period end balance which amounts to $7.6 million. The Group deems that a provision for Global Poker is more appropriate based on historical behaviour of players.

Included in the total leave entitlements provision is $0.51 million in long service leave and is non-current. All other provisions are current.

18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value measurement of financial instruments

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

		Carrying amount		
30 June 2020	**Note**	**Fair Value**	**Amortised Cost**	**Other Financial Liabilities**
Financial assets not measured at fair value				
Cash and cash equivalents	8		142,094	
Trade and other receivables	9		19,466	
			161,560	
Financial liabilities not measured at fair value				
Trade and other payables	15		11,817	
			11,817	

		Carrying amount		
30 June 2019 (Restated)	**Note**	**Fair Value**	**Amortised Cost**	**Other Financial Liabilities**
Financial assets not measured at fair value				
Cash and cash equivalents	8		39,211	
Trade and other receivables	9		8,026	
			47,237	
Financial liabilities not measured at fair value				
Trade and other payables	15		11,598	
			11,598	

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

19. ISSUED CAPITAL

	Consolidated entity			
	2020 Shares	2019 Shares	2020 $'000	2019 $'000
Fully paid ordinary shares, net of share issue cost	579,663,639	563,227,015	25,438	24,191

	Number	Value ($'000)
Movements in ordinary share capital		
Opening balance, 1 July 2018, net of share issue cost	**556,358,317**	**22,244**
Conversion options into ordinary share (a)	2,335,363	467
Conversion of convertible notes (b)	4,166,666	250
Issuance of shares	366,669	-
Settlement of loan funded shares (Note 21 a)	-	1,230
Closing balance, 30 June 2019	**563,227,015**	**24,191**
Opening balance, 1 July 2019, net of share issue cost	**563,227,015**	**24,191**
Conversion options into ordinary share (d)	1,125,000	225
Issuance of loan funded shares (c)	15,311,624	-
Settlement of loan funded shares (Note 21 a)	-	1,022
Closing balance, 30 June 2020	**579,663,639**	**25,438**

a) As part of the Company's capital raise in December 2016 and January 2017, 2,757,152 free-attaching options were issued on a 3-for-1 basis with an exercise price of $0.20. In FY 2019, 2,335,363 options were converted to fully paid ordinary shares prior to the expiry dates. All unexercised options were cancelled.

b) The three outstanding convertible notes issued in November 2010, with a face value of $250,000 were converted in February 2019 into 4,166,667 ordinary shares, at a conversion price of 6 cents each.

c) On 18 June 2020, the company provided a new tranche of loan funded shares to a number of senior employees. Refer to note 21(a).

d) The options that were converted into ordinary shares in February 2020 were previously provided under the LTIP options.

20. RELATED PARTY TRANSACTIONS

The Group's main related parties are as follows:

a. Parent entity and controlled entities

VGW Holdings Limited ("the parent") exercises control over its subsidiaries: VGW Malta Holding Ltd., VGW Malta Ltd., VGW Administration Malta Ltd., VGW Games Ltd., Agence V Ltd., VGW GP Ltd., VGW Holdings US Inc., VGW US, Inc., VGW Luckyland Inc., Fendoff Pty Ltd., VGW Korea Co. Ltd., VGW Canada Inc., and Solstice Solutions Holdings Pty Ltd. The parent and the subsidiaries are collectively referred to as the "consolidated entity" and are constituent parts of these consolidated financial statements. Accordingly, the subsidiaries are considered as related parties in the separate financial statements of the parent entity rather than in the consolidated financial statements.

20. RELATED PARTY TRANSACTIONS (Continued)

b. Key management personnel

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

Key management personnel remuneration includes the following

	2020 $'000	2019 $'000
Short term employee benefits	5,002	2,761
Post-employment benefits	58	-
Other long-term employee benefits	147	43
Share based payments	335	160
Total key management personnel remuneration	**5,542**	**2,964**

In FY 2020, dividends of $7.2 million were paid to key management personnel (FY2019: $5.4m).

c. Other related parties

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

On 29 August 2019, the Company provided a short-term loan facility to Mr. Laurence Escalante at better than arm's length commercial terms (to the Group), and in accordance with all relevant Corporations Act obligations. The facility involved a loan of up to $2.0 million at an interest rate of 14% per annum with a maturity date of 30 December 2019. Security of the loan consisted of Mr. Escalante's personal assets, excluding equity holdings in the Company. On 30 December 2019, in accordance with all relevant Corporations Act obligations, the Company increased the facility amount to $2.9 million and extended the maturity date to 31 March 2020. All other terms of the loan remained unchanged. The loan has been fully settled as of 30 June 2020.

21. SHARE-BASED PAYMENTS

a. Loan Funded Share arrangements

For loan funded shares issued in 2020, shares are issued at allocation date, paid for via non-recourse loans provided by the Company. Loans will be repaid to the Company when the shares are sold or at the expiry of the loan term. Shares have voting and dividend participation rights but are not transferable until any applicable loans are repaid. Loans may be repaid pro-rata to each underlying share. Loan funded shares were accounted for as a share-based payment by recognising an expense and a credit to equity. Loan repayments are recorded as a credit in equity.

The fair value of the loan funded shares has been measured using the Black-Scholes method. The inputs used in the measurement of the fair values at grant date of the shares were as follows:

Grant Date	Number of Shares	Fair value	Share Price	Exercise Price
18 June 2020	15,311,624	0.0300	0.250	0.25

$1.0 million of loans, in respect of loan funded shares, were repaid during the year. This has been recognised directly in equity.

21. SHARE-BASED PAYMENTS (Continued)

b. Share Options

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

LTIP	Grant Date	Number of Options	Contractual Life of Option	Fair Value	Share Price	Exercise Price	Exercisable Options
Tranche 1 (a)	1 Jan 2017	333,333	5 years	0.0613	0.146	0.20	333,333
Tranche 1 (b)	31 Jan 2017	7,426,046	5 years	0.0813	0.146	0.20	7,426,046
Tranche 2 (b)	27 Nov 2017	333,333	4 years	0.0613	0.200	0.20	333,333
Tranche 4 (a)	31 Jan 2019	370,000	4 years	0.0800	0.250	0.20	370,000
Tranche 4 (b)	1 Jul 2019	100,001	5 years	0.0500	0.250	0.40	100,001
Tranche 5 (a)	31 Jan 2019	170,000	4 years	0.0233	0.250	0.20	Nil
Tranche 5 (b)	1 Jul 2019	133,333	5 years	0.0167	0.250	0.40	Nil
Tranche 6 (a)	31 Jan 2019	170,000	4 years	0.0422	0.250	0.20	Nil
Tranche 6 (b)	1 Jul 2019	133,333	5 years	0.0300	0.250	0.40	Nil
Tranche 7	1 Jul 2019	133,333	5 years	0.0357	0.250	0.40	Nil

On 28 January 2018, 1,082,500 options were granted to executives as short-term incentive (990,000 remaining). These options vested immediately:

STI	Grant Date	Number of Options	Contractual life of option	Fair value	Share Price	Exercise Price
Executives	29 Jan 2018	990,000	3 years	0.1000	0.200	0.20

On 1 May 2020, the Board approved the buyback of 6,511,624 options at $0.05 per option. All the options that were subject to the buyback agreement were fully vested as at the repurchase date.

22. EARNINGS PER SHARE

	2020 $'000	2019 $'000 (Restated)
Income after income tax attributable to the owners of VGW Holdings Limited	**72,052**	**27,963**

	Number of Shares	Number of Shares
Weighted average number of shares used in calculating basic earnings per share	**564,195,822**	**559,132,181**
Weighted average number of shares used in calculating diluted earnings per share	**566,124,964**	**573,055,996**

	Cents	Cents (Restated)
Basic income per share	12.77	5.00
Diluted income per share	12.73	4.88

23. PARENT ENTITY INFORMATION

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

	2020 $'000	2019 $'000
Statement of profit or loss and other comprehensive income		
Income/(loss) for the year	30,378	38,506
Total comprehensive income	30,378	38,506
Statement of financial position		
Total current assets	37,235	18,040
Total assets	41,073	21,410
Total current liabilities	14,155	16,248
Total liabilities	18,824	19,666
Equity	22,249	1,744

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

24. CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Profit after Income Tax

	2020 $'000	2019 $'000 (Restated)
Profit (loss) after income tax	**72,052**	**27,963**
Non-cash flows in profit:		
Amortisation	3,145	2,794
Depreciation	3,169	2,819
Share-based payments expense	462	299
Loss on disposal of assets	2	23
Professional fees settled via issuance of shares	30	-
Interest on lease liabilities	524	593
Net foreign currency exchange differences	(638)	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
(Increase)/decrease in trade and other receivables	(11,368)	(6,035)
(Increase)/decrease in prepayments	(358)	(641)
(Increase)/decrease in bonds and deposits	(4,455)	20,429
(Increase)/decrease in deferred tax assets	1,485	(3,185)
(Increase)/decrease in other assets	-	(171)
Increase/(decrease) in trade payables and accrued expenses	147	(491)
Increase/(decrease) in provisions	18,328	1,504
Increase/(decrease) in current tax liabilities	22,404	(5,578)
Increase/(decrease) in deferred revenue	10,852	(7,553)
Increase/(decrease) in lease liabilities	-	903
Cash flow from operations	**115,781**	**33,673**

25. AUDITORS REMUNERATION

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

	2020 $'000	2019 $'000
Audit Services		
Audit of financial statements – Grant Thornton Australia	127	115
Audit of financial statements – Overseas Grant Thornton network firms	64	57
Total audit services remuneration	**191**	**172**
Non-Audit Services		
Tax and debt advisory services – Grant Thornton Australia	128	391
Tax and debt advisory services – Overseas Grant Thornton network firms	243	65
Total non-audit services remuneration	**371**	**456**
Total auditor's remuneration	**562**	**628**

26. EVENTS AFTER THE REPORTING PERIOD

Other than the following, the directors are not aware of any significant events since the end of the reporting period.

i. On 24 July 2020, VGW issued 30,920,622 options.
ii. On 30 July 2020, the Company declared a six-cent per ordinary share franked dividend, totalling $34.8 million.

27. CONTINGENT LIABILITIES

There are no contingent liabilities or assets that have been incurred by the Group in relation to FY 2020 (FY 2019 NIL).

28. DIVIDENDS

An unfranked two-cent dividend per ordinary share was paid on 7 April 2020. The total amount distributed was $11.3 million (2019: $8.4 million).

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and Notes set out on pages 11 to 37, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Company's and the Group's financial position as at 30 June 2020 and of their performance for the financial year ended on that date;

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

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

Signed in accordance with a resolution of the directors:

Laurence ESCALANTE
Director
30 September 2020

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report

To the Members of VGW Holdings Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of VGW Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

RJ Isbell

R J Isbell
Partner – Audit & Assurance

Sydney, 30 September 2020