

**VGW HOLDINGS LIMITED
AND CONTROLLED ENTITIES**

ABN 36 147 193 511

**CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2019**

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES

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VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

Directors' report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "consolidated entity" or "Group") consisting of VGW Holdings Limited (referred to as the "Company" or "parent entity") and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were directors of VGW Holdings Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Mr Laurence Escalante - Executive chairman effective 5 August 2019

Mr Mats Johnson - Executive director

Mr Lorenzo Escalante - Non-executive director

Mr Paul Manalac – first appointed alternate director for Lorenzo Escalante on 28 August 2019

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

Principal Activities

The principal activities of the Group during the financial half year were the development and distribution of social casino games offering virtual currency gaming and sweepstakes prize contests. There have been no significant changes in the nature of these activities during the year.

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

Review of operations

For the half-year period to 31 December 2019, revenue increased to \$215.2m (H1 FY2019 \$175.2m, as restated).

Net loss after tax for the period amounted to \$5.1m (H1 FY2019 profit of \$21.6m, as restated).

Increased revenue was attributable to significant revenue growth for both Chumba Casino and the Group's newest product, Luckyland Slots. Global Poker revenues experienced a fall due to several structural factors. A comprehensive recovery plan has been implemented, the benefits of which are being seen in the second half of FY2020.

The net loss for the half-year period can be attributable to a number of factors including the drop in Global Poker revenues, increased sweepstakes prizes and increased operating costs to support revenue growth. It is worth noting that the revenue line excludes approximately \$13.5 million in cash gold coins sales which were deferred in accordance with AASB15: Revenue from Contracts with Customers.

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

Directors' report (continued)

Financial Position

The Group's net assets at 31 December 2019 totalled \$8.5m (30 June 2019: \$13.6m). Current assets increased \$11.5m, with cash holdings up \$5.8m. These were offset by an increase of \$15.2m in contract liabilities relating to the deferral of customer revenues under AASB15: Revenue from Contracts with Customers. This is in line with increased revenue growth.

The Group generated a net operating cash inflow of \$7.1million. Net investing and financing cash flows for the 6 month period were not significant.

Significant changes in State of Affairs

The following significant changes in the state of affairs occurred within the group during the financial period:

- i. On 19 July 2019, VGW established VGW Canada Inc. in Toronto, Canada, to provide enhanced customer service to the Group's top tier customers.
- ii. On 5 August 2019, Mr Nigel Blythe-Tinker left the Company's Board. Mr Laurence Escalante assumed the role of executive chairman.
- iii. On 29 August 2019, the Company provided a short term loan facility to Mr. Laurence Escalante at better than arm's length commercial terms 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 an maturity date of 30 December 2019. Security of the loan consists 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.

Events after the interim period

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

- i. Subsequent to end of the half year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. While the Group does not believe that COVID-19 will have a material impact on its operations and will continue to monitor the situation.

Dividends

No dividends were declared or paid for half year ending 31 Dec 2019 (H1 FY2019: \$2.8m).

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

Directors' report (continued)

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.

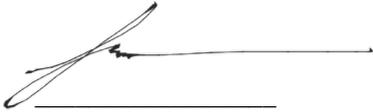
VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 5 for the half year ended 31 December 2019.

Signed in accordance with a resolution of the directors:

A handwritten signature in black ink, consisting of a stylized, cursive 'L' followed by a long horizontal stroke that ends in a small arrowhead.

Laurence Escalante
Director

3 April 2020

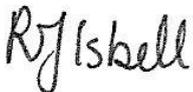
Auditor's Independence Declaration

To the Directors of VGW Holdings Limited

As lead auditor for the review of VGW Holdings Limited for the half year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the International Accounting and Ethics Standards Board (IAESB).



Grant Thornton Audit Pty Ltd
Chartered Accountants



R J Isbell
Partner – Audit & Assurance

Sydney, 3 April 2020

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS
For the half-year ended 31 December 2019

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2019**

	Note	Consolidated entity	
		6 months ended 31 Dec 2019 \$'000	6 months ended 31 Dec 2018 \$'000 (Restated)
From operations			
Revenue	5	215,181	175,184
Sweepstake prizes		(134,263)	(83,690)
Merchant fees		(12,873)	(9,271)
Revenue share		(16)	(152)
Finance income	6	139	119
Finance costs	6	(340)	(374)
Foreign currency gain/(loss)	6	89	(2,106)
Other income		68	40
Marketing and advertising fees	6	(31,805)	(23,056)
Legal and professional fees		(6,758)	(6,691)
Employee benefits expense		(21,430)	(15,806)
Share-based payments expense		(22)	(146)
Depreciation and amortisation expense		(3,095)	(2,614)
Technology and other communication expense		(5,230)	(4,043)
Property and occupancy expense		(960)	(1,329)
General and administration expense		(4,530)	(4,329)
		(221,026)	(153,448)
(Loss)/Profit before income tax		(5,845)	21,736
Income tax benefit/(expense)		789	(151)
(Loss)/Profit for the period attributable to members of the parent entity		(5,056)	21,585
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		(100)	544
Other comprehensive (loss)/income for the half year, net of tax		(100)	544
Total comprehensive (loss)/income for the period attributable to the owners of VGW Holdings Limited		(5,156)	22,129
(Loss)/Earnings per share		Cents	Cents
From continuing operations:			
- Basic (loss)/earnings per share	14	(0.90)	3.88
- Diluted (loss)/earnings per share	14	(0.90)	3.79

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.

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS
For the half-year ended 31 December 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	<i>Note</i>	31 Dec 2019	30 June 2019
		\$'000	\$'000
Assets			
Current assets			(Restated)
Cash and cash equivalents	<i>7</i>	44,972	39,211
Trade and other receivables	<i>8</i>	13,981	8,026
Prepayments and other short-term assets	<i>9</i>	5,367	5,631
Total current assets		64,320	52,868
Non-current assets			
Property, plant and equipment		2,875	3,143
Right-of-use assets		5,148	6,185
Intangible assets	<i>10</i>	7,845	9,420
Deferred tax assets		5,131	3,374
Total non-current assets		20,999	22,122
Total assets		85,319	74,990
Liabilities			
Current liabilities			
Trade and other payables	<i>11</i>	11,137	11,598
Contract liability		45,169	30,011
Provisions	<i>12</i>	13,335	10,447
Current tax liabilities		789	2,234
Lease liability		1,649	2,300
Total current liabilities		72,079	56,590
Non-current liabilities			
Lease liability		4,410	4,536
Provisions	<i>12</i>	365	265
Total non-current liabilities		4,775	4,801
Total liabilities		76,854	61,391
Net assets		8,465	13,599
Equity			
Share capital	<i>13</i>	24,191	24,191
Reserves		5,251	5,329
Accumulated losses		(20,977)	(15,921)
TOTAL EQUITY		8,465	13,599

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

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS
For the half-year ended 31 December 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Consolidated entity	Share Capital \$'000	Convertible Note \$'000	Share Option Reserve \$'000	Foreign Currency Reserves \$'000	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	169	-	-	-	-	169
Employees' long-term incentive plan share options	-	-	146	-	-	146
Settlement of loan funded share	55	-	-	-	-	55
Dividends paid	-	-	-	-	(2,783)	(2,783)
Profit/(Loss) attributable to equity holders (restated)	-	-	-	-	21,585	21,585
Other comprehensive income	-	-	-	544	-	544
Total comprehensive income for the period (restated)	-	-	-	544	21,585	22,129
Restated balance at 31 December 2018	22,468	250	4,161	649	(16,667)	10,861
Balance at 1 July 2019, * as previously reported	24,191	-	4,316	1,013	(17,814)	11,706
Impact of restatement	-	-	-	-	1,893	1,893
Restated balance at 1 July 2019	24,191	-	4,316	1,013	(15,921)	13,599
Employees' long-term incentive plan share options	-	-	22	-	-	22
Loss attributable to equity holders	-	-	-	-	(5,056)	(5,056)
Other comprehensive (loss)/income	-	-	-	(100)	-	(100)
Total comprehensive (loss)/income for the period	-	-	-	(100)	(5,056)	(5,156)
Balance at 31 December 2019	24,191	-	4,338	913	(20,977)	8,465

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

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS
For the half-year ended 31 December 2019

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Consolidated entity	
	6 months ended 31 Dec 2019	6 months ended 31 Dec 2018 (Restated)
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	228,121	161,142
Payments to suppliers and employees	(221,272)	(128,797)
Government grants	68	40
Interest received	138	119
Net cash from operating activities	7,055	32,504
Cash flows from investing activities		
Payments for property, plant and equipment	(245)	(2,843)
Payment for intangibles and development expenditure	-	(1,116)
Net cash used in investing activities	(245)	(3,959)
Cash flows from financing activities		
Proceeds from issue of shares	-	224
Payments of lease liabilities	(1,036)	(711)
Dividends paid	-	(2,783)
Net cash used in financing activities	(1,036)	(3,270)
Net increase in cash and cash equivalents	5,774	25,275
Cash and cash equivalents at beginning of period	39,211	18,051
Effects of exchange rate changes	(13)	-
Cash and cash equivalents at end of period	44,972	43,326

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

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 1. General Information and Basis of Preparation

The financial report covers VGW Holdings Limited as a consolidated entity consisting of VGW Holdings Limited and the entities it controls. 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.

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' Report, which is not part of the financial report.

The interim financial statements have been approved and authorised for issue, in accordance with a resolution of the directors, on 3 April 2020.

These interim financial statements for the half-year reporting period ended 31 December 2019 have been prepared on an accrual 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.

These interim financial statements do not include all the notes of the type normally included in the annual financial statements in accordance with Australian Accounting Standards. Accordingly, these financial statements are to be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2019.

Note 2. Significant Accounting Policies

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting except as set out below.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2019.

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.

Correction of prior period of error

During the half year ended 31 December 2019, the Group noted that the quantum of unsettled player 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.

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (continued)

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 H1 FY 2019 financial statements:

In \$'000	As Previously Reported 31 December 2018	Impact of Prior Period Error	As Restated 31 December 2018
Revenue	173,422	1,762	175,184
Equity	9,099	1,762	10,861

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:

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

An entity has to 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 half year ended 31 December 2019, the Group applies 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 half year ended 31 December 2019, 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.

Note 3. 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, which it believes to be reasonable under the circumstances. The resulting accounting judgements and estimates may differ to actual results.

In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2019.

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 3. Critical Accounting Estimates and Judgements (continued)

Capitalisation of Software Development Costs

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

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, the Group uses the whole amount of the period end balance for the provision.

Revenue recognition

The Group has 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 the players, which will be re-evaluated from time to time to consider changes in player behaviour. Prior to this, revenue was recognised when the right to receive the revenue has been established. The right to receive revenue was determined to be when gold coins are purchased.

The Group accrues for unsettled player purchases on a monthly basis. The same revenue deferral methodology using the retention period of players is applied to accrued revenue (unsettled player purchases) as well as the settled player purchases.

Recognition of deferred tax assets

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 CONTROLLED ENTITIES FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 4. Operating Segments

As at the reporting date, the Group treats its operations as one business segment and reports accordingly. Management and the board of Directors view and assess the Group as one business segment.

Note 5. Revenue from Operations

	31 Dec 2019 \$'000	31 Dec 2018 \$'000 (Restated)
Revenue from continuing operations		
From Chumba website	144,541	94,627
From Global Poker website	49,934	80,020
From Luckyland	20,694	-
From Facebook/Shared App	12	537
Total revenue	215,181	175,184

Note 6. Other income/(costs) and expenses

	31 Dec 2019 \$'000	31 Dec 2018 \$'000
Finance income		
Interest income	139	119
	139	119
Finance costs		
Interest expense	(273)	(323)
Bank and other financial intermediary charges	(67)	(51)
	(340)	(374)
Foreign currency		
Foreign currency realised (loss)/gain	(73)	406
Foreign currency unrealised (loss)/gain	(16)	(2,512)
	(89)	(2,106)
Marketing and advertisements		
Marketing Facebook	(22,682)	(16,890)
Marketing Non-Facebook	(9,123)	(6,166)
	(31,805)	(23,056)

Note 7. Cash and Cash Equivalents

	31 Dec 2019 \$'000	30 June 2019 \$'000
Cash at bank	20,698	19,714
Funds with payment providers	24,274	19,497
	44,972	39,211

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS
For the half-year ended 31 December 2019

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 8. Trade and Other Receivables

	31 Dec 2019	30 June 2019
CURRENT	\$'000	\$'000 (Restated)
Trade receivables	6	290
Accrued revenue	7,845	5,270
Other receivables:		
GST/VAT Receivable	3,137	2,466
Others	2,993	-
	<u>13,981</u>	<u>8,026</u>

The trade receivables are current and have been fully paid or settled after balance sheet date. The \$2.993m is a related party receivable from the Executive chairman and CEO.

Note 9: Prepayments and Other Short-Term Assets

	31 Dec 2019	30 June 2019
	\$'000	\$'000
Prepayments	2,886	3,238
Restricted funds, bank guarantee and reserves	2,335	2,270
Deposits and bonds	146	123
	<u>5,367</u>	<u>5,631</u>

As of 31 December 2019, \$1.8m are bank guarantees for leased premises.

Note 10. Intangible Assets

	Software	Licenses	Domain	Trademark	TOTAL
<i>Cost</i>	\$'000	\$'000	\$'000	\$'000	\$'000
Balance, 1 July 2019	17,396	219	151	26	17,792
Net exchange differences	(52)	-	1	(1)	(52)
Balance, 31 Dec 2019	<u>17,344</u>	<u>219</u>	<u>152</u>	<u>25</u>	<u>17,740</u>
<i>Accumulated Amortisation</i>					
Balance, 1 July 2019	(8,354)	-	(18)	-	(8,372)
Amortisation	(1,516)	(1)	(6)	-	(1,523)
Balance, 31 Dec 2019	<u>(9,870)</u>	<u>(1)</u>	<u>(24)</u>	<u>-</u>	<u>(9,895)</u>
Net book value, 30 June 2019	<u>9,042</u>	<u>219</u>	<u>133</u>	<u>26</u>	<u>9,420</u>
Net book value, 31 Dec 2019	<u>7,474</u>	<u>218</u>	<u>128</u>	<u>25</u>	<u>7,845</u>

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 11. Trade and Other Payables

	31 Dec 2019	30 June 2019
	\$'000	\$'000
Trade Payable	8,874	9,186
Other payables and accruals	2,263	2,412
	<u>11,137</u>	<u>11,598</u>

Note 12. Provisions

The carrying amounts and movements in the provisions are as follows:

	Sweepstakes	Leave Entitlements	Make Good	TOTAL
Balance, 1 July 2019	8,502	1,618	592	10,712
Net additions/(reductions)	2,979	(3)	12	2,988
Balance, 31 December 2019	<u>11,481</u>	<u>1,615</u>	<u>604</u>	<u>13,700</u>

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

Global Poker cashable sweeps are provisioned on the basis of 60% of the period end balance, which amounts to \$6 million as at 31 December 2019. The 60% provision is deemed appropriate based on historical behaviour of players and is regularly assessed.

\$0.37 million of the leave entitlements are due to the long service leave accrual and is non-current. All other provisions are current.

Note 13. Issued Capital

	Consolidated entity			
	31 Dec 2019	30 June 2019	31 Dec 2019	30 June 2019
	Shares	Shares	\$'000	\$'000
Fully paid ordinary shares, net of share issue cost	563,227,015	563,227,015	24,191	24,191
		Number	Value (\$'000)	
Opening balance, 1 July 2019		<u>563,227,015</u>	<u>24,191</u>	
Closing balance, 31 Dec 2019		<u>563,227,015</u>	<u>24,191</u>	

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS
For the half-year ended 31 December 2019

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 14. Earnings per Share

	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
(Loss)/Income after income tax attributable to the owners of VGW Holdings Limited	(5,056)	21,585
	No. of shares	No. of shares
Weighted average number of shares used in calculating basic earnings per share	563,227,015	556,789,971
Weighted average number of shares used in calculating diluted earnings per share	577,150,829	569,020,323
	Cents	Cents
Basic (loss)/earnings per share	(0.90)	3.88
Diluted (loss)/earnings per share	(0.90)	3.79

Note 15. Commitments

	31 Dec 2019	31 Dec 2018
	\$'000	\$'000
Lease Commitments - operating		
Committed at reporting date but not recognised as liabilities		
Within one year	635	592
One to five years	-	2
	<u>635</u>	<u>594</u>

Operating lease commitments include contracted amounts for various office space expiring within 1 year with, in some cases, options to extend. The amounts do not include the leases accounted for under AASB16.

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS

For the half-year ended 31 December 2019

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 16. 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	
			31 Dec 2019	30 June 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

Note 17. Events After the Reporting Period

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

- i. Subsequent to end of the half year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. While the Group does not believe that COVID-19 will have a material impact on its operations and will continue to monitor the situation.

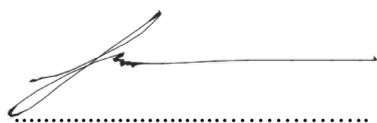
VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES DIRECTORS DECLARATION

In the opinion of the Directors of VGW Holdings Limited:

- (a) the attached consolidated interim financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half year ended on that date and in accordance with the accounting policies referred to in Note 2; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This Declaration is made in accordance with a resolution of the directors:

Director



.....
Laurence Escalante

Date: 3 April 2020

Independent Auditor's Report

To the Members of VGW Holdings Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of VGW Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of VGW Holdings Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the accounting policies described in Note 2.

Directors' responsibility for the half year financial report

The Directors of the Company are responsible for the preparation and fair presentation of the half-year financial report and have determined that the accounting policies used and described in Note 2 to the financial report are appropriate to meet the needs of the Members. This responsibility includes such internal control as the directors determine is necessary to enable the preparation of the half-year financial report to be free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with accounting policies described in Note 2. As the auditor of VGW Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

R J Isbell

R J Isbell
Partner – Audit & Assurance

Sydney, 3 April 2020