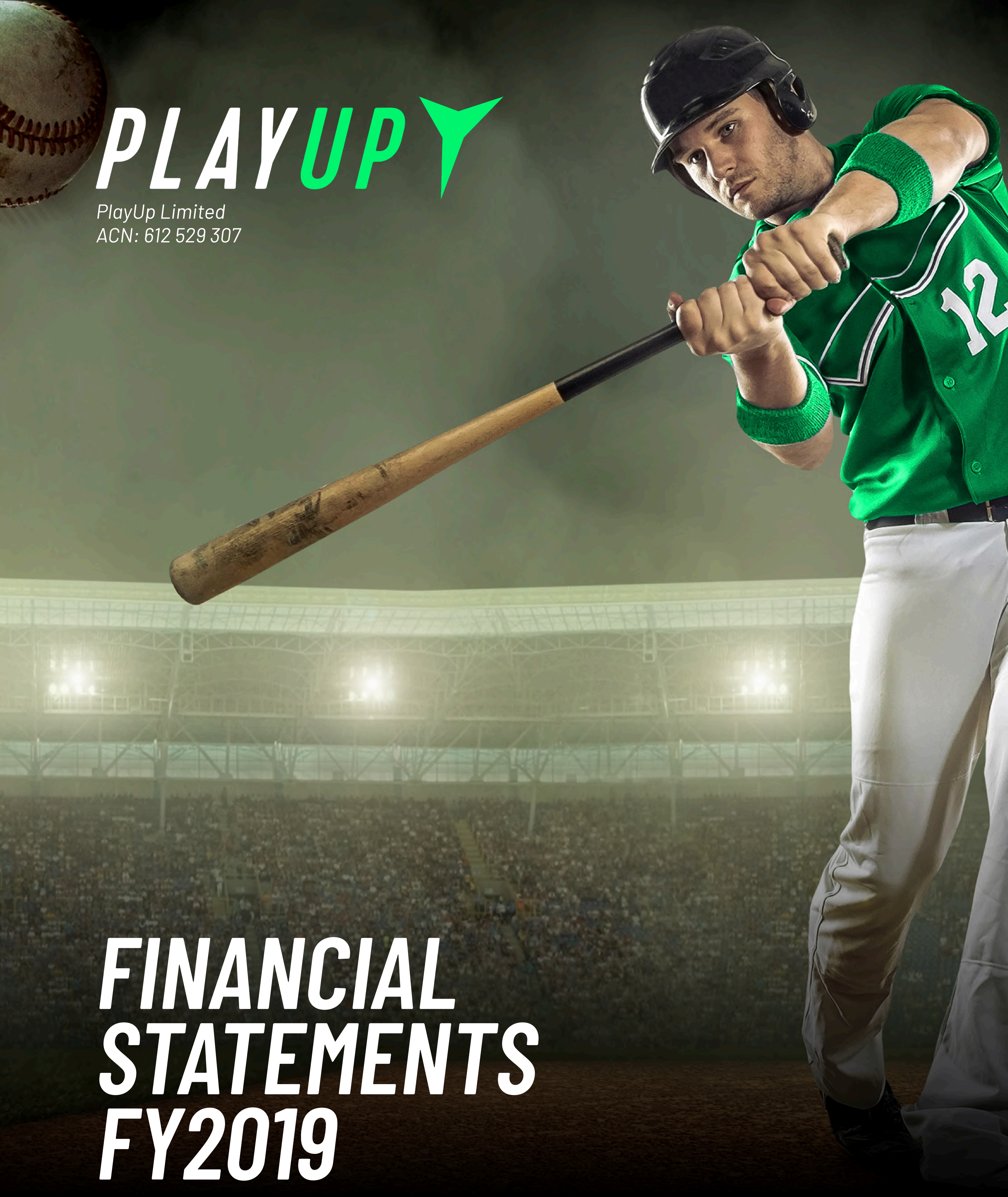

PLAYUP

PlayUp Limited
ACN: 612 529 307

FINANCIAL STATEMENTS FY2019

For the Year Ended 30 June 2019

DOCUMENT DATED: 01 JULY 2020

CONTENT

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "group") consisting of PlayUp Limited (referred to hereafter as the "company", "PlayUp" or '"parent entity") and the entities it controlled at the end of, or during, the year ended 30 June 2019.

INFORMATION ON DIRECTORS

The following persons were directors of PlayUp Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Daniel Simic
- Richard Sapsford
- Michael Costa (Appointed effective 21 Nov 2018)
- Prashant Arora (Resigned effective 20 Feb 2019)
- Ryan Bowman (Appointed effective 21 Nov 2018, resigned effective 23 Oct 2019)
- Dr. Laila Mintas (Appointed effective 05 Jun 2020)

PRINCIPAL ACTIVITIES

The groups principal activities of the company during the financial year were as follows:

- Offering online betting on racing, sports and esports to the Australian consumer market;
- Offering online peer to peer betting in Daily Fantasy Sports contests to the Australian consumer market;
- Offering online/offline prize based Golf challenges to the Australian consumer market;
- Undertaking further development of our technologies, platforms and products. This encompasses additional functionality, features, enhancements and upgrades;
- The expansion of our consumer offerings with the addition of new sports, new bet types and new game types;
- Pursue USA online betting market access partnerships and online wagering licences in key USA states.
- Research & Development on new technologies, new products, new markets and new regions.

PlayUp is an online wagering and technology company offering a suite of betting services encompassing racing, sports, Daily Fantasy Sports (DFS), eSports and more. We develop proprietary wagering and gaming technologies so that we can power our own platform and allow us the flexibility to freely innovate, enhance and scale. PlayUp primarily operates in Australia, with plans to imminently expand into the USA and India followed by further regions over time.

OPERATING RESULTS

The loss for the group after providing for income tax amounted to $10,870,362 (FY 2018; Loss $10,044,767).

REVIEW OF OPERATIONS

PlayUp’s focus during this period was to consolidate the various brands it acquired in the previous financial year. A comprehensive team effort was placed in order to amalgamate all wagering brands together to a single scalable brand “PlayUp” (www.PlayUp.com.au). These brands included ClassicBet, BestBet, Betting.Club, Topbetta and Madbookie.

Daily Fantasy Sports and online gaming achieved Gross Gaming Turnover of Circa $13.5 million and Net Revenue of $1.27 million in financial year 18/19. PlayUp estimates this product line to achieve further growth in the next financial period whilst reducing its operational costs.

Traditional wagering achieved Gross Gaming Turnover of Circa $250 million and Net Revenue of $12.8 million in financial year 18/19. PlayUp estimates this product line to achieve further growth in the next financial period whilst reducing its operational costs.

Overall PlayUp’s combined turnover was Circa $263.5 million and Net Revenue of Circa $14 million in the financial year 18/19.

PlayUp’s focus in the following year will be to solidify its operations, secure additional funding to enhance the growth in Australia and secure additional bookmakers’ licenses in USA. PlayUp will also prepare for an IPO on Nasdaq.

The company's operations during the year performed as expected in the opinion of directors.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Further to the acquisitions of various companies and brands in the previous financial year, PlayUp’s revenue and combined turnover increased significantly.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

However, of relevance to the group's state of affairs in future financial years litigation pertaining to the purchase of shares in A.C.N 167 422 406 Pty Ltd (formerly Winky Bet Pty Ltd, formerly ClassicBet Pty Ltd and A.C.N 607 108 645 Pty Ltd (formerly BestBet (NSW) Pty Ltd) by Fanma Pty Ltd (formerly PlayUp Australia Pty Ltd, formerly Fantasy Sports Australia).

The litigation particulars is Fanma Pty Ltd v Ryan Kay and Alex Kay (Supreme Court of NSW Proceedings 2018/319830) whereby Fanma Pty Ltd contends that Ryan Kay and Alex Kay failed to satisfy and discharge liabilities of A.C.N 167 422 406 Pty Ltd and A.C.N 607 108 645 Pty Ltd respectively incurred or accrued before the completion date of the Share Sale and Purchase Agreements. Consequently, they have breached their seller warranties by failing to disclose the Affiliation Program Agreement with KRM and any liability. The matter is listed for directions hearing in July 2020.

The damages sought relates to a separate litigation for which PlayUp is not a party to. The particulars of that is litigation is KRM (VIC) Pty Ltd v A.C.N 167 422 406 Pty Ltd (formerly Winky Bet Pty Ltd, formerly Classic Bet (NSW) Pty Ltd), A.C.N 607 108 645 Pty Ltd (formerly Best Bet (NSW) Pty Ltd) and Ryan Kay (Supreme Court of NSW Proceedings 2018/314837) whereby KRM claimed a Lump Sum Payment pursuant to an Affiliation Program Agreement between KRM and the defendants dated 28/07/2017. A.C.N 167 422 406 Pty Ltd and A.C.N 607 108 645 Pty Ltd cross-claimed against Alex Kay and Ryan Kay respectively for breach of clause 6.1 of the Share Sale and Purchase Agreement and in the alternative, contravening their director duties. A.C.N 167 422 406 Pty Ltd and A.C.N 607 108 645 Pty Ltd also cross-claimed against KRM for overpayment of commissions.

The matter was heard on 23/09/2019 and orders entered into on 19/12/2019 with outcome, Defendants (including Ryan Kay) to pay KRM the sum of $3,684,690.98 plus costs. KRM to pay A.C.N 167 422 406 Pty Ltd and A.C.N 607 108 645 Pty plus costs of the third cross-claim. A.C.N 167 422 406 Pty Ltd and A.C.N 607 108 645 Pty to pay first and second cross-Defendant's costs of the first and second cross-claims. Defendants lodged an appeal which was heard on 7/4/2020 and a decision was handed down on 12/5/2020. The appeal was dismissed and Defendants liable to pay monies to KRM. As stated above, PlayUp is NOT a party to proceedings involving KRM.

COVID-19

In December 2019, a novel strain of coronavirus disease ("COVID-19") was first reported in Wuhan, China. Less than four months later, on March 11, 2020, the World Health Organisation declared COVID-19 a pandemic. The extend of COVID-19's effect on the group's operational and financial performance will depend on the future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the group's business. However, if the pandemic continues to evolve into a severe worldwide health crises, the disease could have a material adverse effect on the group's business, results of operation, financial conditions and cash flows.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

PlayUp will focus on growing its market share within Australia through digital marketing, offering better odds and providing an exclusive VIP service to clients.

Notwithstanding the above, PlayUp will take advantage of the opportunities it has in the nascent USA Sports Betting market and secure market access and licences in select states. In due course operations will be expanded to provide Sports Betting, Fantasy Sports and Pari-Mutuel Horse Racing on a state by state basis throughout the USA.

Management believe that PlayUp continues to be well positioned to generate sustainable long-term growth and value creation.

DIVIDENDS PAID AND DECLARED

Dividends paid or declared since the start of the financial year are as follows:

- No dividends were paid since the start of the financial year
- No dividends were declared since the start of the financial year
- No recommendation for payment of dividends has been made

SHARES UNDER OPTIONS

There are no unissued ordinary shares of PlayUp Limited under options outstanding on the date of this report.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were no ordinary shares of PlayUp Limited issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

ENVIRONMENTAL REGULATION

The group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration in accordance with section 307C of the Corporations Act 2001, for the year ended 30 June 2019 has been received and is included with the financial statements.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors:

Daniel Simic
Director

Richard Sapsford
Director

Dated:
1 July 2020
Sydney, Australia

UHY Haines Norton
Chartered Accountants

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Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

To the Directors of PlayUp Limited

As auditor for the audit of PlayUp Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the 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.

This declaration is in respect of PlayUp Limited and the entities it controlled during the year.

UHY Haines Norton

M.D. Nicholaeff
Partner
Sydney
1 July 2020

UHY Haines Norton
Chartered Accountants

	Note	Consolidated 2019 $	Consolidated 2018 $
Revenue	4	14,078,780	899,157
Other Income	5	745,909	637,707
Expenses:			
Sporting taxes		5,854,556	420,586
Sport data and live feed expenses		625,884	369,062
IT expenses		967,486	407,024
Advertising and promotions		2,169,061	1,721,113
Employee benefits expense		4,280,147	1,721,087
Depreciation and amortisation	7	2,468,592	652,522
Impairment of goodwill		—	2,666,174
Impairment of investment		4,117,788	—
Professional fees		2,952,985	1,096,170
Rent and outgoings		279,495	98,210
Share-based payment expenses	23	242,617	400,362
Other expenses		937,508	835,253
Finance costs	6	885,177	742,426
Loss before income tax	4	**(10,956,605)**	**(9,593,125)**
Income tax benefit/(expense)		86,243	(451,642)
Loss Attributable to Members of the Company		**(10,870,362)**	**(10,044,767)**
Other Comprehensive Income:			
Other comprehensive income for the year		—	—
Total Comprehensive Loss		**(10,870,362)**	**(10,044,767)**

The accompanying notes form part of these financial statements.
These financial statements should be read in conjunction with the attached Independent Audit Report

	Note	Consolidated 2019 $	Consolidated 2018 $
Current Assets			
Cash and Cash Equivalents	8	5,667,217	5,087,126
Trade and Other Receivables	10	658,606	694,748
Other Financial Assets	11	1,718,465	117,339
Current Tax Assets	12	240,965	192,016
Other Assets	13	168,921	44,457
Total Current Assets		**8,454,174**	**6,135,686**
Non-Current Assets			
Other Financial Assets	11	18,020	19,555
Property, Plant and Equipment	14	210,658	39,191
Intangible Assets	15	17,087,175	18,425,524
Deferred Tax Assets	12	—	—
Total Non-Current Assets		**17,315,853**	**18,484,270**
Total Assets		**25,770,027**	**24,619,956**
Current Liabilities			
Trade and Other Payables	16	13,561,314	16,166,859
Current Tax Liabilities	12	—	—
Financial Liabilities	17	906,456	121,204
Short Term Provisions	20	343,943	317,365
Total Current Liabilities		**14,811,713**	**16,605,428**
Non-Current Liabilities			
Trade and Other Payables	16	—	972,802
Financial Liabilities	17	14,975,557	9,617,731
Deferred Tax Liabilities	12	1,954,542	2,040,785
Long Term Provisions	20	46,641	21,913
Total Non-Current Liabilities		**16,976,740**	**12,653,231**
Total Liabilities		**31,788,454**	**29,258,659**
Net Assets		**(6,018,427)**	**(4,638,703)**
Equity			
Issued Capital	22	19,230,162	9,982,141
Reserves	23	2,181,898	1,939,281
Accumulated Losses	24	(27,430,487)	(16,560,125)
Total Equity		**(6,018,427)**	**(4,638,703)**

Consolidated	Issued Capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2019	**9,982,141**	**1,939,281**	**(16,560,125)**	**(4,638,703)**
Loss after income tax for the year	—	—	(10,870,362)	(10,870,362)
Total comprehensive income for the year	**—**	**—**	**(10,870,362)**	**(10,870,362)**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 22)	9,248,021	—	—	9,248,021
Share-based payments (note 23)	—	242,617	—	242,617
Balance at 30 June 2019	**19,230,162**	**2,181,898**	**(27,430,487)**	**(6,018,427)**

Consolidated	Issued Capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2018	**3,129,021**	**1,538,919**	**(6,515,362)**	**(1,847,422)**
Loss after income tax for the year	—	—	(10,044,767)	(10,044,767)
Total comprehensive income for the year	**—**	**—**	**(10,044,767)**	**(10,044,767)**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 22)	6,853,120	—	—	6,853,120
Share-based payments (note 23)	—	400,362	—	400,362
Balance at 30 June 2018	**9,982,141**	**1,939,281**	**(16,560,125)**	**(4,638,703)**

	Note	Consolidated 2019 $	Consolidated 2018 $
Cash Flows from Operating Activities			
Receipts from customers		14,640,690	2,716,545
Payments to suppliers and employees		(9,441,104)	(4,749,731)
Interest received		9,346	279
Interest paid		(885,177)	(16,486)
Duties and taxes		(5,853,988)	(615,112)
Research and development incentive received		596,595	570,229
Net cash outflow from operating activities	9	**(933,638)**	**(2,094,276)**
Cash Flow from Investing Activities			
Acquisition/Sale of investments		18,880	—
Acquisition of property, plant and equipment		(360,715)	—
Acquisition of intangibles		(940,995)	(2,515,880)
Acquisition of subsidiaries, net of cash acquired		(6,920,960	(1,611,710)
Net cash provided by (used in) investing activities		**(8,203,782)**	**(4,127,590)**
Cash Flow from Financing Activities			
Proceeds from issuance of share capital		3,544,576	1,385,000
Share buyback		—	48,000
Proceeds from borrowings		5,382,826	13,815,480
Repayment of borrowings		790,108	(4,084,289)
Net cash provided by (used in) financing activities		**9,717,510**	**11,068,191**
Net increase (decrease) in cash held		580,091	4,846,325
Cash at the beginning of financial year		5,087,126	240,801
Cash and Cash Equivalents as at 30 June 2019	8	**5,667,217**	**5,087,126**

The financial report covers PlayUp Limited as a consolidated entity. PlayUp Limited is a for profit unlisted public company, incorporated and domiciled in Australia.

The functional and presentation currency of PlayUp Limited is Australian dollars.
The financial report was authorised for issue by the Directors on 1 July 2020.
Comparatives are consistent with prior years, unless otherwise stated.

1. Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the Corporations Act 2001.
These financial statements and associated notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.
The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.
Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

The financial statements are based on historical costs, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. Going Concern

The financial statements have been prepared on the going concern basis which assumes the company and consolidated entity will have sufficient cash to pay its debts as and when they become payable for a period of at least 12 months from the date the financial report was authorised for issue.

As at 30 June 2019, the consolidated entity has net negative assets of $6,018,427 (2018: negative $4,638,703). During the financial year the consolidated entity incurred a net loss of $10,870,362 (2018: $10,044,767 Loss) and also had cash outflows from operating activities of $933,638 (2018: outflow of $2,094,276).

The consolidated entity has prepared a cash flow forecast which indicates that the consolidated entity does not have sufficient cash to meet its minimum expenditure commitments and support its current level of corporate overheads and therefore needs to raise additional funds to continue as a going concern.

To address the future additional funding requirements of the consolidated entity, since 30 June 2019, the directors have undertaken the following initiatives:

- entered into discussions to secure additional equity funding from current or new shareholders;
- undertaken a programme to continue to monitor the consolidated entity's ongoing working capital requirements and minimum expenditure commitments; and
- continued their focus on maintaining an appropriate level of corporate overheads in line with the consolidated entity's available cash resources.

The majority shareholder has provided a letter of comfort confirming continued financial support including injections of working capital. This will provide the consolidated entity with sufficient funding to meet its minimum expenditure commitments and support its planned level of overhead expenditures, and therefore that it is appropriate to prepare the financial statements on the going concern basis.

However, in the event that the consolidated entity is not able to successfully achieve additional funding referred to above, significant uncertainty would exist as to whether the company and consolidated entity will continue as going concerns and, therefore, whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

2. Summary of Significant Accounting Policies

a. Cash and Cash Equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

b. Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by PlayUp Limited at the end of the reporting period. A controlled entity is any entity over which PlayUp Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Where controlled entities have entered or left the consolidated group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 30 'Investments in Subsidiaries' to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

In accordance with the Corporations Act 2001, these financial statements present the results of the group only. Supplementary information about the parent entity is disclosed in note 28.

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each in reporting period to fair value, recognising any change fair value in the profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

c. Provisions

Provisions are recognised when the company 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 present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the statement of profit or loss and other comprehensive income.

d. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value.

Defined Contribution Schemes

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

e. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment.

Property

Land and buildings are measured using the revaluation model.

Depreciation
Property, plant and equipment is depreciated on a straight line basis over the assets useful lifeto the Company, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The estimated useful lives for each class of depreciable asset are shown below:

Fixed Asset Class	Useful Life
Leasehold Improvements	7 years
Plant and Equipment	4 years
Office Furniture	10 years
Office Equipment	2-4 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

f. Foreign Currency Transactions and Balances

Functional and Presentation Currency
The functional currency of each group entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and Balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.
Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

Group Companies
The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;

- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

g. Borrowing Costs

All borrowing costs are recognised as an expense in the period in which they are incurred.

h. Intangible Assets

Goodwill

Goodwill is calculated as the excess of the sum of:

i. the consideration transferred;
ii. any non-controlling interest; and
iii. the acquisition date fair value of any previously held equity interest;
over the acquisition date fair value of net identifiable assets acquired.

The value of goodwill recognised on acquisition of each subsidiary in which the group holds a less than 100% interest will depend on the method adopted in measuring aforementioned the non-controlling interest. The group can elect to measure the non-controlling interest in the acquire either at fair value ("full goodwill method") or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets ("proportionate interest method"). The group determines which method to adopt for each acquisition.

Under the "full goodwill method", the fair values of the non-controlling interests are determined using valuation techniques which make the maximum use of the market information where available.

Fair Value / Equity Accounting

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where the investment has been equity accounted, any credit reserve balances are recycled to the statement of comprehensive income.

Net Identifiable Assets Acquired

In determining the net identifiable assets acquired, contingent liabilities of the acquiree are included to the extent to which they represent a present obligation and can be measured reliably.

Acquisitions of Subsidiaries

Goodwill on acquisition of subsidiaries is included in intangible assets.

Testing for Impairment

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

Accounting for Changes in Ownership Interest in Subsidiary
Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

Patents and Trademarks
Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their estimated useful life.

Research and Development
Expenditure during the research phase of a project is recognised as an expense when incurred. Software development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.
The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other software development expenditure is recognised in profit or loss as incurred.
Capitalised software development costs are measured at cost less accumulated amortisation and accumulated impairment losses.
The relevant criteria for capitalisation of expenditure includes;

- The software development costs can be measured reliably
- the project is technically and commercially feasible
- the Group intends to and has sufficient resources to complete the project
- the Group has the ability to use or sell the software; and
- the software will generate probable future economic benefits.

Software development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the estimated useful life of the project.

Amortisation
Amortisation is recognised in profit or loss on a straight line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for the current and comparative periods are as follows;

• Trademarks and Brand names	7 years
• Software Development Costs	5 years
• Customer Relationships	5 years
• Domains and Social Media	5 years
• Licencing	5 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

i. Trade and Other Receivables

Trade receivables are recognised initially at the transaction price (i.e. cost) and are subsequently measured at cost less provision for impairment. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

At the end of each reporting period, the carrying amount of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in statement of comprehensive income.

j. Investments and Other Financial Assets

Recognition

Financial assets are initially measured at cost, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Available for Sale Financial Assets

All investments are classified as available for sale financial assets. Available for sale financial assets are reflected at fair value unless their fair value cannot be reliably measured.
Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Investments held are originally recognised at cost, which includes transaction costs. They are subsequently measured at fair value which is equivalent to their market bid price at the end of the reporting period. Movements in fair value are recognised through an equity reserve.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

k. Investments in Associates

Associate companies are companies in which the group has significant influence generally holding, directly or indirectly, 20% or more of the voting power of the company.
Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the group's share of net assets of the associate

company. In addition, the group's share of the profit or loss of the associate company is included in the group's profit or loss.
The carrying amount of the investment includes goodwill relating to the associate. Any excess of the group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment is acquired.
Profits and losses resulting from transactions between the group and the associate are eliminated to the extent of the group's ownership interest in the associate.

When the group's share of losses in an associate equals or exceeds its interest in the associate, the group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. Upon the associate subsequently making profits, the group will resume the recognition of its share of those profits once its share of the profits equals the share of the losses not recognised.

l. Leases

Finance Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the group, are classified as finance leases.
Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for that period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that entities in the group will obtain ownership of the asset or over the term of the lease.

m. Financial Instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

Financial assets are divided into the following categories which are described in detail below:

- loans and receivables;
- available-for-sale financial assets.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Company's trade and most other receivables fall into this category of financial instruments.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

In some circumstances, the company renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the company does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Financial Assets at Fair Value through Profit and Loss
Financial assets at fair value through profit or loss include financial assets:

- acquired principally for the purpose of selling in the near future
- designated by the entity to be carried at fair value through profit or loss upon initial recognition or
- which are derivatives not qualifying for hedge accounting.

Assets included within this category are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or expenses in profit or loss.

Held-to-Maturity Investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Investments are classified as held-to-maturity if it is the intention of the company's management to hold them until maturity.

Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, with revenue recognised on an effective yield basis. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in profit or loss.

Financial Liabilities
The Company's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

Impairment of Financial Assets
At the end of each reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial Assets at Amortised Cost
If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

Available-for-Sale Financial Assets
A significant or prolonged decline in value of an available-for-sale asset below its cost is objective evidence of impairment, in this case, the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Any subsequent increase in the value of the asset is taken directly to other comprehensive income.

n. Financial Guarantees
Where material, financial guarantees issued that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:
- the likelihood of the guaranteed party defaulting during the next reporting period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

o. Revenue and Other Income

Revenue from Contracts with Customers
The core principle of AASB 15 is that Revenue is recognized on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the group expects to receive in exchange for those goods or services. Revenue is recognized by applying a five-steps model as follows:
1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognize Revenue as and when control of the performance obligations is transferred

All revenue is stated net of the amount of goods and services tax (GST).
All revenue is generated in Australia.

Revenue from Wagering Activities
PlayUp earns revenue via online wagering offered to the consumer market. Its product lines comprise of fixed odds sports betting (Sportsbook), fixed odds and tote derivative race betting (Racebook). Fixed Odds refer to 'a bookmaker financial derivative offered and accepted at a singular point in time'. A Tote Derivate product is where the odds offered by the bookmaker match the odds offered by an official tote (or best of multiple totes) however, the money bet by the client does not directly enter the pool but is held as a risk by the bookmaker.

Revenue from Sportsbook and Racebook wagering is derived from accepted client bets less winnings paid out. The net gain or loss from betting activities over a specific period represents the revenue earnt during that period. Customer promotions such as free bets and bonuses are deducted from Sportsbook and Racebook revenues. Revenue is recognised when the betting event is settled, which is when the performance obligation is transferred.

Daily Fantasy Sports
Revenue from Daily Fantasy Sports is derived from entry fees paid by clients into Challenges less winnings paid out. Revenue is recognised once the Challenges are settled, which is when the performance obligation is transferred.

Interest Revenue
Interest is recognised using the effective interest method.

Other Revenue
Other revenue is recognised on the accrual of that revenue.

p. Trade and Other Payables
Trade and other payables represent the liabilities at the end of the reporting period for goods services received by the group that remain unpaid.

Trade payables are recognised at their transaction price. Trade payables are obligations on the basis of normal credit terms.

q. Goods and Services Tax (GST)
Revenues, 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 Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis and the GST component of cash flows arising from investing or financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

r. Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

Where a change in comparatives has also affected the opening retained earnings previously presented in a comparative period, an opening statement of financial position at the earliest date of the comparative period has been presented.

3. Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key Judgments – Share-based payment transactions

The group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model, and takes into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Key Judgments – Goodwill

The group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the stated accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Key Judgments - Provision for Impairment of Receivables

The value of the provision for impairment of receivables is estimated by considering the ageing of receivables, communication with the debtors and prior history. The value of the provisional and credit quality of receivables in monitored on a monthly basis.

Key Judgments - Taxes

Deferred Tax Assets

Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable revenues being generated against which tax losses will be available for offset.

s. New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards. The group's assessment of the impact of these new or amending Accounting Standards and Interpretations, most relevant to the group, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the distinction between operating and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' assets is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to leased expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. The group will adopt this standard from 1 July 2019. The group has not yet assessed the impact of adopting AASB 16.

IASB revised Conceptual Framework for Financial Reporting

The revised Conceptual Framework has been issued by the International Accounting Standards Board ('IASB'), but the Australian equivalent has yet to be published, The revised framework is applicable for annual reporting periods beginning on or after 1 January 2020 and the application of the new definition and recognition criteria may result in future amendments to several accounting standards. Furthermore, entities who rely on the conceptual framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards may need to revisit such policies, The group will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

Standard Adopted in the Reporting Year

The group has adopted AASB9 Financial Instruments and AASB15 is Revenue From Contracts with Customers.

4. Operating segments

Identification of reportable operating segments
The group operates in two segments being;

- Wagering
- Daily Fantasy and Online Gaming.

Types of products and services
Wagering – The group operates an online wagering service which utilizes robust and scalable cloud-based technology to provide a consumer facing betting platform. The platform interfaces to risk, odds, content and customer relationship management systems.
Daily Fantasy Sports & Online Gaming – The group operates an online daily fantasy sports service which utilizes proprietary cloud-based technology to provide a consumer facing fantasy sports platform. The platform interfaces to risk, odds, content and customer relationship management systems.

Consolidated - 2019	**Wagering**	**Fantasy & Online Gaming**	**Other Corporate**	**Total**
Revenue	$	$	$	$
Sales to external customers	12,808,547	1,270,234	—	**14,078,780**
Total revenue	**12,808,547**	**1,270,234**	**—**	**14,078,780**
Research and development rebate	—	—	586,671	**586,671**
Other Income	—	—	149,892	**149,892**
Interest Income	9,346	—	—	**9,346**
Sporting taxes	(5,326,339)	(528,217)	—	**(5,854,556)**
Sport data and live feed expenses	(291,375)	(334,509)	—	**(625,884)**
IT expenses	(629,541)	(330,861)	(7,084)	**(967,486)**
Advertising and promotions	(1,544,424)	(213,838)	(410,800)	**(2,169,061)**
Employee benefits expense	(2,900,810)	(358,889)	(1,020,447)	**(4,280,147)**
Professional fees	(310,297)	(55,181)	(2,587,508)	**(2,952,985)**
Rent & outgoings	—	—	(279,495)	**(279,495)**
Depreciation & amortisation	(1,125,426)	(1,141,853)	(201,313)	**(2,468,592)**
Impairment of investment	—	—	(4,117,788)	**(4,117,788)**
Share based payments expense	—	—	(242,617)	**(242,617)**
Other expenses	—	—	(937,508)	**(937,508)**
Finance Costs	—	—	(885,177)	**(885,177)**
Profit/(loss) before income tax	**689,682**	**(1,693,115)**	**(9,515,045)**	**(10,956,605)**
Income tax benefit				86,243
Loss after income tax				**(10,870,362)**

Consolidated - 2019	Wagering	Fantasy & Online Gaming	Other Corporate	Total
	$	$	$	$
Assets				
Segment Assets	**16,998,766**	**3,743,569**	**5,027,692**	**25,770,027**
Liabilities				
Segment Liabilities	**8,246,102**	**31,898**	**23,510,454**	**31,788,454**

Consolidated - 2018	Wagering	Fantasy & Online Gaming	Other Corporate	Total
Revenue	$	$	$	$
Sales to external customers	790,115	109,042	—	**899,157**
Total revenue	**790,115**	**109,042**	**—**	**899,157**
Research and development rebate	—	—	596,595	**596,595**
Other Income	—	40,833	—	**40,833**
Interest Income	279	—	—	**279**
Sporting taxes	(336,469)	(84,117)	—	**(420,586)**
Sport data and live feed expenses	(117,305)	(251,757)	—	**(369,062)**
IT expenses	(138,388)	(264,566)	(4,070)	**(407,024)**
Advertising and promotions	(344,223)	(430,278)	(946,612)	**(1,721,113)**
Employee benefits expense	(258,163)	(172,109)	(1,290,815)	**(1,721,087)**
Professional fees	(219,234)	(328,851)	(548,085)	**(1,096,170)**
Rent & outgoings	—	—	(98,210)	**(98,210)**
Depreciation & amortisation	(4,600)	(529,000)	(118,922)	**(652,522)**
Impairment of goodwill	—	(2,666,174)	—	**(2,666,174)**
Share based payments expense	—	—	(400,362)	**(400,362)**
Other expenses	—	—	(835,253)	**(835,253)**
Finance Costs	—	—	(742,426)	**(742,426)**
Profit/(loss) before income tax	**(627,988)**	**(4,576,977)**	**(4,388,160)**	**(9,593,125)**
Income tax benefit				(451,642)
Loss after income tax				**(10,044,767)**

Consolidated - 2018	Wagering $	Fantasy & Online Gaming $	Other Corporate $	Total $
Assets				
Segment Assets	**17,472,766**	**4,172,591**	**2,974,599**	**24,619,956**
Liabilities				
Segment Liabilities	**5,915,479**	**1,337,873**	**22,005,307**	**29,258,659**

Major Customer

There was no client who represented greater than 10% (2018: two major customers represented 30%) of the revenue.

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the chief operating decision maker.

5. Other Income

	Consolidated 2019 $	Consolidated 2018 $
Other Income		
Interest Received	9,346	279
Other Income	149,892	40,833
Government Subsidies	586,671	596,595
	745,909	**637,707**

Government subsidies are the research and development tax offset. The rebate is recognised at fair value, being the expected amount to be received.

6. Finance Costs

Interest paid		
- Other	475,436	638,832
- ATO	7,133	7,782
Bank charges	379,866	87,506
Foreign Currency Exchange (Gain)/Loss	22,742	8,306
	885,177	**742,426**

Finance costs are expensed in the period in which they are incurred.

7. Depreciation & Amortisation

	Note	Consolidated 2019 $	Consolidated 2018 $
Depreciation			
Leasehold improvements		21,595	3,421
Plant & Equipment		31,754	12,754
Office furniture & equipment		37,070	4,006
	14	**90,419**	**20,181**
Amortisation			
Formation costs		—	1,460
Client databases		1,717,898	258,350
Trademarks		47,496	43,367
Domain and social media		63,399	53,914
Licences		4,600	4,600
Software development		544,780	270,650
		2,378,173	**632,341**
Total Depreciation and Amortisation		**2,468,592**	**652,522**

8. Cash and Cash Equivalents

Cash on Hand	405	525
Deposits	406,987	635,465
Cash at Bank	5,259,825	4,451,136
Total Cash and Cash Equivalents	**5,667,217**	**5,087,126**

Term Deposits held are for bank guarantees on behalf of players funds under Northern Territory ('NT') licence as security for wager licence.

9. Cash Flow Information

Reconciliation of Cash Flow from Operations with Profit after Income Tax

	Consolidated 2019 $	Consolidated 2018 $
Loss after Income Tax	(10,870,362)	(10,044,767)
Adjustments for Non-Cash Components in Profit:		
Depreciation and amortisation	2,468,592	652,522
Impairment of goodwill	—	2,666,174
Impairment of receivables	—	442,342
Unrealised losses	4,117,788	—
Share based payments	242,617	400,362
Other	(18,880)	(55,472)
Net gain on disposal of property, plant and equipment	—	—
Operating assets and liabilities acquired in business combination	—	(6,902,151)
Changes in Assets and Liabilities		
Increase in trade and other receivables	(13,375)	(503,660)
Increase in other financial assets	(15,469)	(123,180)
Increase in other current assets	(124,464)	(192,016)
Increase in current tax assets	568	—
Increase in trade and other payables	3,314,284	8,633,466
Decrease in income tax payable	—	(2,510)
Increase in provisions – short term	26,578	241,788
Increase in provisions – long term	24,728	21,913
Increase in other financial liabilities	—	630,128
Increase in deferred tax liability	(86,243)	2,040,785
Net Cash Provided By/(Used in) Operating Activities	**(933,638)**	**(2,094,276)**

10. Trade and Other Receivables

	Consolidated 2019 $	Consolidated 2018 $
Current		
Trade Debtors	36,469	15,835
Other Debtors		
- Research & Development Refundable Tax Offset	586,671	596,595
- Other Debtors	35,466	32,800
Goods and Services Tax ('GST') receivable	—	49,518
Total Trade and Other Receivables	**658,606**	**694,748**

Bad debt provisions are based upon an annual review of the actual debtors outstanding and as assessment of the recoverability of overdue balances. These balances are written off as bad debts after a period of 12 months outstanding. Further information as to the group's credit policies are and ageing of debtors is presented in note 19.

11. Other Financial Assets

	Note	Consolidated 2019 $	Consolidated 2018 $
Current			
Playchips	33	1,585,657	—
Betback Account		132,808	117,339
		1,718,465	**117,339**
Non-Current			
Loans - Unsecured			
- Fantasy Studio India Private Limited		—	1,535
- Fantasy Sports USA Inc.	27	17,929	17,929
Shares in Associated Companies			
- 60 Ordinary Shares in StarCoach Sports Digital Pty Ltd		60	60
- 30 Shares in Social Figures Global Pty Ltd		30	30
- 1 Ordinary Share in One Sport Limited		1	1
		18,020	**19,555**
Total Financial Assets		**1,828,667**	**136,894**

Movement in the Betback is included in revenue rather than movement in fair value through the profit and loss as a separate line item as these funds are held on behalf of players to generate gaming revenue.

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financials year are set out below:

	Consolidated 2019 $	Consolidated 2018 $
Opening Fair Value	–	–
Additions	5,703,445	–
Revaluation decrement	(4,117,788)	–
Closing fair value	**1,585,657**	**–**

Refer to Note 18 for further information on the fair value measurement.

12. Tax Assets and Liabilities

	Consolidated 2019 $	Consolidated 2018 $
Current Assets		
Current Tax Asset	240,965	192,016
	240,965	**192,016**
Liabilities		
Current Tax Liability	–	–
	–	**–**
Non-Current Assets		
Deferred Tax Asset	–	–
	–	**–**
Liabilities		
Deferred Tax Liabilities	(1,954,542)	(2,040,785)
	(1,954,542)	**(2,040,785)**
Net Tax Assets	**(1,713,577)**	**(1,848,769)**
Reconciliation of Income tax benefit		
Loss before income tax for the year	(10,956,605)	(9,593,125)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Depreciation	2,378,174	632,342
Impairment	4,117,788	2,666,174
Share-based payments	242,617	400,362
Research and development tax offset	(586,671)	(596,595)
Research and development tax incentive expenditure	638,665	1,371,482
Development expenditure	(243,391)	–

Capital raise costs	515,853	267,331
Employee benefits	58,879	10,447
Other Corporate Expenses	11,725	54,473
CFC - Foreign Losses not attributable income	33,112	—
Sundry items	46,059	1,079
Provision for Legal fees	438,128	—
Profit (Loss) on Disposal	(18,880)	—
Total Tax effect amounts	**7,632,058**	**4,807,095**
Current tax expense	—	—
Deferred tax expense	—	—
Aggregated tax benefit	**—**	**—**

13. Other Assets

	Consolidated 2019 $	Consolidated 2018 $
Current		
Accrued Income	4,096	4,096
Prepayments	72,643	40,361
Retainers & Rental Bonds	92,183	—
Total Other Assets	**168,922**	**44,457**

14. Property, Plant and Equipment

Leasehold Improvements		
Leasehold Improvements	141,575	5,515
Less Accumulated Depreciation	(21,595)	(3,421)
Total Leasehold Improvements	**119,980**	**2,094**

Plant and Equipment		
Plant & Equipment	17,780	12,754
Less Accumulated Depreciation	(17,780)	(12,754)
	—	—
Office Furniture & Equipment	64,329	41,103
Less Accumulated Depreciation	(64,321)	(4,006)
	8	37,097
Motor Vehicles	94,152	—
Less Accumulated Depreciation	(3,483)	—
	90,669	—
Total Plant and Equipment	**90,677**	**37,097**

Total Property, Plant and Equipment	**210,657**	**39,191**

Reconciliations

Reconciliations of the written down values at the beginning and end of the year are set out below;

Consolidated - 2019	Leasehold improvements $	Plant and equipment $	Office furniture and equipment $	Motor vehicles $	Total $
Balance at 1 July 2018	2,094	—	37,097	—	**39,191**
Additions	139,481	5,026	23,226	94,152	**261,885**
Depreciation expense	(21,595)	(5,026)	(60,315)	(3,483)	**(90,419)**
Balance at 30 June 2019	**119,980**	**—**	**8**	**90,669**	**210,657**

Consolidated - 2018	Leasehold improvements $	Plant and equipment $	Office furniture and equipment $	Motor vehicles $	Total $
Balance at 1 July 2017	—	—	—	—	**—**
Additions	—	12,754	—	—	**12,754**
Additions through business combinations	5,515	—	41,103	—	**46,618**
Depreciation expense	(3,421)	(12,754)	(4,006)	—	**(20,181)**
Balance at 30 June 2018	**2,094**	**—**	**37,097**	**—**	**39,191**

15. Intangible Assets

	Consolidated 2019 $	Consolidated 2018 $
Non-Current		
Formation Expenses	—	—
Goodwill	10,336,959	10,336,959
Less Accumulated Impairment	(2,666,174)	(2,666,174)
	7,670,785	**7,670,785**
Intellectual Property		
- Client Databases	8,613,054	8,573,054
- Less Accumulated Amortisation	(1,976,248)	(258,350)
	6,636,806	**8,314,704**
- Trademarks	332,470	332,470
- Less Accumulated Amortisation	(129,024)	(81,528)
	203,446	**250,942**
- Domains and Social Media	445,903	399,474
- Less Accumulated Amortisation	(165,336)	(101,937)
	280,567	**297,537**
Licences	23,000	23,000
Less Accumulated Amortisation	(12,830)	(8,230)
	10,170	**14,770**
Software Development	3,100,831	2,147,436
Less Accumulated Amortisation	(815,430)	(270,650)
	2,285,401	**1,876,786**
Total Intangible Assets	**17,087,175**	**18,425,524**

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial years are set out below:

Consolidated	Formation costs	Goodwill	Client Databases	Trademarks	Domain and Social Media	Licences	Software Development	Total
		$	$	$	$	$	$	$
Balance at 1 July 2017	1,460	—	—	261,840	303,364	19,370	922,273	**1,508,307**
- Additions	—	—	—	—	48,087	—	797,339	**845,426**
- Additions through business combinations	—	10,336,959	8,573,054	32,470	—	—	427,824	**19,370,307**
- Impairment of assets	—	(2,666,174)	—	—	—	—	—	**(2,666,174)**
- Amortisation expense	(1,460)	—	(258,350)	(43,368)	(53,914)	(4,600)	(270,650)	**(632,342)**
Balance at 30 June 2018	**—**	**7,670,785**	**8,314,704**	**250,942**	**297,537**	**14,770**	**1,876,786**	**18,425,524**
- Additions	—	—	40,000	—	46,429	—	953,395	**1,039,824**
- Amortisation expense	—	—	(1,717,898)	(47,496)	(63,399)	(4,600)	(544,780)	**(2,378,173)**
Balance at 30 June 2019	**—**	**7,670,785**	**6,636,805**	**203,446**	**280,567**	**10,170**	**2,285,401**	**17,087,175**

Impairment testing

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. To measure the impairment value, the carrying value of its cash generating units were compared with its recoverable amount.

Goodwill acquired through business combinations has been allocated to the following cash generating units (CGU):

a) Wagering

The group operates an online wagering platform which utilizes risk management systems, odds management and consumer facing platforms. The Group retains clients and acquires new wagering clients by way of direct marketing and affiliation programs in the Australian market. Revenue from Sportsbook and Racebook wagering is derived from accepted client bets less winnings paid out. The net gain or loss from betting activities over a specific period represents the revenue earnt during that period.

	2019	2018
	$	$
Carrying value	8,862,664	11,557,286
Recoverable amount	20,890,278	21,251,164
Goodwill before impairment	7,670,785	7,670,785
Impairment	—	—

b) Fantasy

The online daily fantasy sports platform (Draftstars) utilizes proprietary technology which allows sports fans to compete against each other on real sporting events by paying an entry fee to a challenge. At the end of the challenge the clients with the highest accrued points win the cash prizes. Revenue is generated by way of the difference in entries paid less prizes paid.

	2019 $	2018 $
Carrying value	3,693,687	2,803,916
Recoverable amount	5,009,064	5,013,109
Impairment	—	—

a) Online Golf Challenge

Golfers sign up to the proprietary website which allows golfers who have an official club handicap to enter 'challenges' so the next time the golfer plays in a club competition and beat their handicap the golfer wins a non-cash prize (for example retail vouchers). Winners are notified via email within 3 days following the round once all clubs have submitted their results. Revenue is generated by way of the difference in entries paid less prizes paid.

	2019 $	2018 $
Carrying value	2,684,159	3,085,748
Recoverable amount	475,000	475,000
Goodwill before impairment	2,666,174	2,666,174
Impairment	2,666,174	2,666,174

The recoverable amount of the Online Golf Challenge CGU's goodwill was determined based its fair value less costs of disposal (FVLCD), based on a fair value categorised as Level 1 within the framework of AASB 13.

The recoverable amount of group's goodwill for its Wagering and Fantasy CGU's was determined by the value-in-use method using a discounted cash flow model, based on a five-year projections period approved by the management using a steady growth rate, together with a terminal value.

The key assumptions used to derive the recoverable value for CGU's measured using a value in use model are as follows:

- a pre-tax discount rate of 18.5% (2018: 18.5%)
- terminal value is calculated using a perpetual growth rate of 3% (2018: 3%)
- Revenue growth in line with management's expectation, being;
- Wagering 28% (2018 29%)
- Daily Fantasy Sports 40% (2018: 45%)

The above estimates were determined by management based on past performance and management's future expectations.

Sensitivity analysis

The directors have made judgments and estimates about the future in respect of impairment testing of its CGU's. Should these judgments and estimates not occur as approximated, the resulting assets carrying amount may decrease. The sensitivities of the carrying value of goodwill to such judgments and estimates are as follows:

Wagering

- Revenue generated would need to decrease by more than 10% in the cashflow modelling before goodwill in relation to the wagering business acquisitions would become impaired, with all other assumptions remaining constant.
- The pretax discount rate to 27.5% in the cashflow modelling before goodwill in relation to the wagering business acquisitions would become impaired, with all other assumptions remaining constant.
- Perpetual growth rate would need to be reduced to be in negative in the cashflow modelling before goodwill in relation to the wagering business acquisitions would become impaired, with all other assumptions remaining constant.

Fantasy

- Revenue generated would need to decrease by more than 7% in the cashflow modelling before goodwill in relation to the wagering business acquisitions would become impaired, with all other assumptions remaining constant.
- The pretax discount rate to 26.5% in the cashflow modelling before goodwill in relation to the wagering business acquisitions would become impaired, with all other assumptions remaining constant.
- Perpetual growth rate would need to be reduced to be in negative in the cashflow modelling before goodwill in relation to the wagering business acquisitions would become impaired, with all other assumptions remaining constant.

The Board believes that other reasonable changes in the key assumptions on which the recoverable amount of goodwill is based would not cause the recoverable amount to fall below the carrying amount.

16. Trade and Other Payables

	Consolidated 2019 $	Consolidated 2018 $
Current		
Player Funds Accounts	5,730,517	6,679,656
Player Withdrawals Pending	264,546	148,391
Trade Creditors	5,188,121	1,483,631
Other Creditors		
- Pay As You Go Withholding Payable	140,535	193,177
- Superannuation Payable	141,313	49,351
- Other	494,963	347,444
Credit Card Liability	47,483	45,875
Accrued Charges	694,901	412,248
Deferred Consideration Liability		
- Draftstars Client Database	—	1,250,000
- Sportopia Group Pty Ltd	33,936	557,700
- Best Bet (NSW) Pty Ltd	—	589,293
- Classic Bet Pty Ltd	825,000	294,460
- Betting.Club.com.au Pty Ltd	—	100,000
- TopBetta Pty Ltd	—	4,015,633
	13,561,314	**16,166,859**
Non-Current		
Deferred Consideration Liability		
- Sportopia Group Pty Ltd	—	33,936
- Classic Bet Pty Ltd	—	938,866
	—	**972,802**
Total Trade and Other Payables	**13,561,314**	**17,139,661**

The carrying amounts are considered to be a reasonable approximation of fair value.

Deferred Consideration Liability

Deferred consideration liabilities relate to the acquisition of businesses during the previous financial year. Various settlement adjustments took place as a consequence of the subsidiaries acquired during the 2018 financial year.

The total deferred payments due on these acquisitions was $858,936 at 30 June 2019 (30 June 2018 $7,779,888).

17. Financial Liabilities

	Consolidated 2019 $	Consolidated 2018 $
Current		
Loans from Directors	1,333	1,080
Player Unresulted Bets	91,743	120,064
Loans - Secured		
- Investorlink (c)	556,000	—
Loans - Unsecured		
- Other (d)	232,320	—
Loans - Unsecured		
- Other (e)	25,000	—
Other sundry liability	60	60
	906,456	**121,204**
Non-Current		
Loans - Secured		
- Wizer Unit Trust (a)	10,470,736	3,843,652
Other Financial liability		
- PlayChip Foundation Limited (b)	4,415,900	5,774,079
- Hire Purchase Liability	88,921	—
	14,975,557	**9,617,731**
Total Financial Liabilities	**15,882,013**	**9,738,935**

(a) The group's loan from related parties-borrowings with Wizer Unit Trust was secured during the period. This is a cash flow funding loan which was facilitated from 1 August 2017 and is secured over tangible, general, intangible and financial property of PlayUp Limited. The interest rate is fixed 8% calculated daily and compounded monthly. The facility period will end on 30 June 2025 with repayments calculated based on the balance outstanding at 31 July 2020, with repayments commencing 31st August 2020. The schedule of repayment will be decided on 1 August 2020. The lender has an option of converting any outstanding balance and accrued interest to shares in the group anytime on or before 30 June 2020 subject to approval by shareholders. On conversion the shares shall rank equally with all other shares and will be issued at fair market price at issue date in accordance with the constitution and compliant with the Corporations Act 2001. Please refer to Note 23 for related party disclosure on this loan.

(b) The group held an amount on behalf of Playchip Foundation Limited for the purposes of reimbursing any expenses incurred by the group for Playchip Foundation Limited. The outstanding balance after the reimbursement of all expenses incurred is planned to be converted to ordinary shares in the group. On conversion the shares shall rank equally with all other shares and will be issued at fair market price at issue date in accordance with the constitution and compliant with the Corporations Act 2001. Please refer to Note 23 for related party disclosure on this loan.

(c) The group secured a secured loan from Investorlink Securities Limited on a fixed rate of 10% per annum. The purpose of this loan was to assist in the working capital requirements. This loan is secured over tangible, general, intangible and financial property of PlayUp Limited and a personal guarantee provided by two directors of the reporting entity, Daniel Simic and Richard Sapsford. The facility was secured on 30th November 2018 and due to be payable on 30th November 2019. As at the signing date, the Directors are negotiating with the lender on the conversion of this debt to ordinary shares in the group.

(d) The group held an unsecured loan from A.C.N 167 422 406 Pty Ltd (Formerly called Classicbet (NSW) Pty Ltd) and Betting.Club Pty Ltd. The interest rate is NIL on this loan and its due to be payable by 30th June 2020 with an option to extend the repayment for another 12 months.

(e) The group held an unsecured loan from a key employee, Paul Jeronimo. The interest rate is NIL on this loan and its due to be payable by 30th June 2020. The lender has an option of converting any outstanding balance and accrued interest to shares in the group anytime on or before 30 June 2020 subject to approval by shareholders. On conversion the shares shall rank equally with all other shares and will be issued at fair market price at issue date in accordance with the constitution and compliant with the Corporations Act 2001. On Conversion or Repayment, a service fee of $2,000 will be payable to the lender. Please refer to Note 23 for related party disclosure on this loan.

18. Financial Assets and Financial Liabilities Fair Value Measurement

This note provides information about the group's financial instruments, including:

- an overview of all financial instruments held by the group
- specific information about each type of financial instrument
- accounting policies
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved

Recognised fair value measurement

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements at 30 June 2019	Notes	Level 1	Level 2	Level 3	Total
Financial assets					
Betback Account	11	—	—	132,808	132,808
Playchips investment	11	1,585,657	—	—	**1,585,657**
Total Financial Assets		**1,585,657**	—	**132,808**	**1,718,465**
Financial Liabilities					
Player unresulted bets	17	—	—	91,743	91,743
Total Financial Liabilities		**—**	**—**	**91,743**	**91,743**

Recurring fair value measurements at 30 June 2018	Notes	Level 1	Level 2	Level 3	Total
Financial assets					
Betback Account	11	—	—	117,339	117,339
Total Financial Assets		—	—	**117,339**	**117,339**
Financial Liabilities					
Player unresulted bets	17	—	—	120,064	120,064
Total Financial Liabilities		**—**	**—**	**120,064**	**120,064**

Disclosed Fair Values
There was no transfers between the levels during the year.

The carrying amounts of trade and other receivable and trade and other payables are assumed to approximate their fair values.

The group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. This is the case for Playchip Held in the group for this reporting period.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. There are no Level 2 instruments in the group for this reporting period.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for Betback accounts and Players unresulted bets.

Valuation technique used to determine fair values
Pending bets have been valued based on the amount of players unresulted bets and betback accounts balance at the financial year end. There is no reasonably probable change in assumptions that would result in a material change in fair value.

The fair value calculations of Playchips was calculated at the end of financial year 2019, it was done from the prices derived from a cryptocurrency market capitalisation website called CoinMarketcap. This website is a price-tracking index for cryptocurrencies and one of the most trusted platform in the industry. The prices were drawn from all exchanges where Playchip was listed by coinmarketcap on 30th June 2019. Cryptocurrencies are volatile tradeable instruments and may result in material change in fair value.

19. Financial instruments

Financial risk management objectives
The group's activities expose it to a variety of financial risks, particularly liquidity risk and wagering risk.
The group's overall risk management program focuses on the unpredictability of wagering liabilities and liquidity.
Risk management is carried out by the finance executive ('finance') under policies approved by the Board of Directors ('the board'). These policies include identification and analysis of the risk exposure of the group and appropriate procedures, controls and risk limits. Finance identifies, evaluate and hedges financial risks within the group's operating units.

Market Risk

Foreign currency risk
The group is exposed to foreign currency risk from trading. Overseas suppliers represent a minor percentage of the total number of suppliers during the year. Foreign currency exposure approximates less than 1% of total expenditure. Movements in foreign exchange rates have an immaterial impact on the groups trading.

Interest rate risk
The group is not exposed to a significant interest rate risk as all borrowings are subject to fixed interest rate. The group also have term deposits held with Aa3 rated Australian financial institutions and the movement of interest rates have an immaterial impact on the groups trading. All cash is held in chequing account which do not earn interest.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statement. The group does not hold any collateral. The group does not offer any credit sales to its clients which mitigated any credit risks on the receivables. Material trade and other receivables held are the amounts due from Australian Government bodies.

The group maintains a policy of holding deposits with banks and financial institutions with a minimum independent rating of “A”.

Trade and other receivables loss allowances are established against individual receivable balances when there is objective evidence that such balances are likely to be uncollectable, either in full or part.

30 June 2019	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Gross carrying amount – trade & other receivables	658,606	—	—	—	658,606
Gross carrying amount – Financial assets	1,718,465	—	—	18,020	1,736,485
Loss allowance	—	—	—	—	—

30 June 2018	Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Gross carrying amount – trade & other receivables	692,248	—	—	2,500	694,748
Gross carrying amount – Financial assets	117,339	—	—	19,555	136,894
Loss allowance	—	—	—	—	—

Liquidity risk

Vigilant liquidity risk management requires the group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. The group manages liquidity risk by maintaining adequate cash reserves, cash flow funding facility through related party and raising capital to fund growth and by monitoring actual and forecast cash flows and matching profiles of financial assets and liabilities. The group has the following debt financing facilities available to draw from as at year end.

	Consolidated 2019 $	Consolidated 2018 $
Total facility available	11,000,000	10,000,000
Amount drawn (*)	10,470,736	3,843,652
Amount undrawn	529,264	6,156,348

(*) Refer Note 17 (a) for more details. There are no restrictions on drawing any undrawn amount up to the facility limit.

Remaining contractual maturities
The following tables detail the group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from the carrying amount in the statement of financial position.

Consolidated 2019	1 year or less	Between 1 and 2 years	Over 2 years	Carrying Amount	Total Remaining contractual maturities
Non-derivatives					
Non-interest bearing					
Trade & other payables	13,561,314	—	—	13,561,314	13,561,314
Financial Liabilities	581,000	11,508,257	—	11,140,657	12,089,257*
Other Financial Liabilities	233,713	4,415,900	—	4,649,613	4,649,613
Total non-derivatives	**14,376,027**	**15,924,157**	**—**	**29,351,584**	**30,300,185**
Derivatives					
Players un-resulted bets	91,743	—	—	91,743	91,743
Total derivatives	**91,743**	**—**	**—**	**91,743**	**91,743**

Consolidated 2018	1 year or less	Between 1 and 2 years	Over 2 years	Carrying Amount	Total Remaining contractual maturities
Non-derivatives					
Non-interest bearing					
Trade & other payables	16,166,859	972,802	—	17,139,661	17,139,661
Financial Liabilities	—	—	4,539,791	3,843,652	4,539,791*
Other Financial Liabilities	—	—	5,774,079	5,774,079	—
Total non-derivatives	**16,166,859**	**972,802**	**10,313,870**	**26,757,392**	**27,453,531**
Derivatives					
Players un-resulted bets	120,064	—	—	120,064	120,064
Total derivatives	**120,064**	**—**	**—**	**120,064**	**120,064**

* The group anticipates the outstanding financials liabilities of any secured and unsecured loan balance to be converted to equity as per note 17.

Wagering risk
The group faces wagering risk as part of it wagering business. This risk is controlled by setting limitations on the amount that clients may win each day, and, in cases that an exposure is

deemed too great or too likely according to the group's procedures and systems, that exposure is laid-off to other bookmakers.

20. Provisions

	Consolidated 2019 $	Consolidated 2018 $
Current		
Provision for Annual Leave	343,944	317,365
	343,944	**317,365**
Non-Current		
Provision for Long Service Leave	46,641	21,913
	46,641	**21,913**
Total Provisions	**390,585**	**339,278**

Amounts not expected to be settled within the next 12 months

The current provision for employees includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payment in certain circumstances. The entire amount is presented as current, since the consolidated does not have an unconditional right to defer settlement. However, based on experience, does not expect all employees to take the full amount of accrued leave or require payments within the next 12 months.

Reconciliation

Reconciliations of the provision values at the beginning and end of the current and previous financial years are set out below:

Consolidated	Provision for Annual Leave $	Provision for Long Service Leave $	Total $
Balances at 1 July 2017	75,577	—	75,577
- Leave Paid	(185,296)	(1,500)	(186,796)
- Leave Accrued	427,084	23,413	450,497
- Acquired in Business combination	—	—	—
Balance at 30 June 2018	**317,365**	**21,913**	**339,278**
- Leave Paid	(352,669)	(822)	(353,490)
- Leave Accrued	379,247	25,550	404,799
Balance at 30 June 2019	**343,943**	**46,641**	**390,584**

21. Auditors Remuneration

The following fees were paid or payable during the financial year;

	Consolidated 2019 $	Consolidated 2018 $
Audit & review of financial reports		
- UHY Haines Norton	65,000	70,000
- Finncorp Auditors Pty Ltd	—	15,000
Other Services		
- Finncorp Pty Ltd	—	23,395
	65,000	**108,395**

22. Contributed Equity

Issued Capital	**No of Shares FY 2019**	**Amount Paid FY 2019**	**No of Shares FY 2018**	**Amount Paid FY 2018**
Ordinary Class Shares @ $1.00	1	1	1	1
Ordinary Class Shares @ $0.0001	319,175,233	31,918	319,175,233	31,918
Ordinary Class Shares @ $0.1030	22,107,786	2,277,102	22,107,786	2,277,102
Ordinary Class Shares @ $0.1060	71,869,060	7,618,120	71,869,060	7,618,120
Ordinary Class Shares @ $0.05	1,100,000	55,000	1,100,000	55,000
Ordinary Class Shares @ $0.1567	59,022,777	9,248,022	—	—
	473,274,856	**19,230,162**	**414,252,080**	**9,982,141**
Share Movements				
Shares on Issue at Beginning of the Reporting Period	414,252,080	9,982,141	349,018,870	3,129,021
Movement in Ordinary Class Shares @ $0.1030	—	—	—	—
Movement in Ordinary Class Shares @ $0.1060	—	—	64,133,210	6,798,120
Movement in Ordinary Class Shares @ $0.05	—	—	1,100,000	55,000
Movement in Ordinary Class Shares @ $0.1567	59,022,777	9,248,021	—	—
Shares on Issue at End of the Reporting Period	**473,274,856**	**19,230,162**	**414,252,080**	**9,982,141**

(a) Fully paid ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At shareholders meetings, each ordinary share is entitled to one vote when a poll is called, or via a show of hands.

Capital risk management
The group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that is can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the group may raise additional capital, adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group intends to raise capital to assist with working capital requirements or when an opportunity to invest in a business or company is seen as value-adding relative to the current company's share price at the time of the investment. The group is actively pursuing additional investments in the short term as it continues to grow its existing businesses.

The group is not subject to any financing arrangement covenants.

23. Reserves

	Consolidated 2019 $	Consolidated 2018 $
Reorganisation Reserve	1,538,919	1,538,919
Share-based Payments	642,979	400,362
	2,181,898	**1,939,281**
Share-based Payments Reserve		
Expensed during the year	242,617	400,362
	242,617	**400,362**

Reorganisation Reserve
The Group recognises business combinations outside the scope of AASB 3 'Business Combinations', including combinations of entities under common control using the predecessor value method. This method values acquired assets and liabilities of the acquiree at book value, with any difference between this value and the fair value of consideration paid taken to a reorganisation reserve. The group has elected to only present financial results of combined entities from the date the group took control of the entity.

Share-based Payments
The company has a share option scheme for key employees of the company. Options are exercisable at the strike price. The vesting period is 3 years. If the options remain unexercised after a period of 3 years from the date of grant, the options expire. Options are forfeited if the employee leaves the group before the options vest, unless Director discretion is exercised.

Details of the share options outstanding during the year are as follows:

Tranche #	Nº of Options	Tranche Valuation	Issue Date	Expiry Date	Life of Options	30/06/2018		30/06/2019	
					Days	Days FY	Expense FY	Days FY	Expense FY
1 Non-KMP	3,773,584	$198,845	01/12/2017	01/12/2020	1,096	211	$38,281	365	$66,221
1 KMP	13,113,207	$690,988	01/12/2017	01/12/2020	1,096	211	$133,028	365	$230,119
2 Advisor	4,245,283	$213,858	16/04/2018	31/12/2020	990	1,096	$223,701	365	-$128,653
3 KMP	1,886,792	$99,423	02/05/2018	02/05/2021	1,096	59	$5,352	365	$33,111
4 KMP	1,886,792	$99,423	30/06/2018	30/06/2021	1,096	—	$0	365	$33,111
5 KMP	638,162	$49,711	20/12/2018	20/12/2021	1,096	—	$0	192	$8,709
Total	**25,543,821**	**$1,352,248**					**$400,362**		**$242,617**
KMP							**$138,380**		**$305,049**
Non-KMP							**$261,983**		**-$62,432**

These fair values for share options granted during the year were calculated using The Black-Scholes pricing model. The weighted average exercise price of options outstanding was $0.106. For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows;

Tranche #	Share Price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
1	$0.106	$0.106	75.3%	0%	1.50%	$0.0527
2	$0.106	$0.106	75.3%	0%	1.50%	$0.0527
3	$0.106	$0.106	75.3%	0%	1.50%	$0.0527
4	$0.106	$0.106	75.3%	0%	1.50%	$0.0527
5	$0.157	$0.157	75.3%	0%	1.50%	$0.0779

24. Retained Earnings

	Consolidated 2019 $	Consolidated 2018 $
Accumulated Losses at the Beginning of the Financial Year	(16,560,125)	(6,515,362)
Add		
Net loss attributable to members of the company	(10,956,605)	(9,593,125)
Income tax expense	86,243	(451,642)
Accumulated Loss at the End of the Financial Year	**(27,430,487)**	**(16,560,125)**

25. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Franking Credits
$1,100 franking credits are available at 30 June 2019 (FY 2018: $1,100)

26. Key Management personnel disclosures

Compensation
The aggregate compensation made to directors and other key members of the group is set out below:

	Consolidated	**Consolidated**
	2019	2018
	$	$
Salary	1,019,145	400,289
Superannuation	79,745	37,854
Share-based payments	222,272	42,676
	1,321,162	**480,819**

Key management persons consist of all C-Level executives in the company. In addition to the above, certain key personnel received payments directly or indirectly as disclosed in note 27.

27. Related Party Disclosures

We refer to Note 11. Other Financial Assets and note the following;

- An unsecured loan exists to Fantasy Sports USA Inc of $17,929 which is majority owned by Wizer Pty Ltd ATF Wizer Unit Trust whom Daniel Simic owns 50% of the units through Simic Management International Pty Ltd ATF Daniel Simic Family Trust and Richard Sapsford owns 50% of the units through Sapsford Financial Services Pty Ltd ATF Sapsford Investment Trust.

We refer to Note 17. Other Financial Liabilities;

- An unsecured loan of $25,000 exist from a Key Management Personal Paul Jeronimo to PlayUp Limited, the loan is due and payable by 30 June 2020 with a fixed fee of $2000.
- A secured loan from Wizer Unit Trust of $10,470,737, which is 100% owned by Wizer Unit Trust, whom Daniel Simic owns 50% of the units through Simic Management International Pty Ltd ATF Daniel Simic Family Trust and Richard Sapsford owns 50% of the units through Sapsford Financial Services Pty Ltd ATF Sapsford Investment Trust.
- An unsecured loan of $4,415,900 exists from PlayChip Foundation Limited. PlayChip Foundation Limited and PlayUp Limited have common Directors being Daniel Simic and Michael Costa. An agreement exists between PlayChip Foundation Limited and Fan

Technology Pty Ltd for the loan to be reduced through reimbursement of expenditure incurred by the group for and on behalf of PlayChip Foundation Limited.

We refer note 26. Key management personnel and note the following;

- Motor vehicle hire expenses were paid to Corporate Compliance Pty Ltd (a company controlled by key management personnel, Prashant Arora) totalling $38,396 (net of GST) for the 2019 financial year. These expenses are related to the lease of company motor vehicles for the following Key Personnel;
  - Scott Simic an employee of PlayUp Ltd (an associate of Daniel Simic, Director of PlayUp Limited)
  - Michael Costa (CTO and Director of PlayUp Limited)
  - Shayne Jessiman (CIO of PlayUp Limited, resigned)
- Three motor vehicles which were leased by Corporate Compliance Pty Ltd were sold to Fantigma at market value in 2019 Financial Year.
- Consultancy fee of $13,636.36 were paid to Nishant Arora (an associate of Prashant Arora, key management personnel of PlayUp Limited) for part time assistance in wagering operations.

Other disclosures:

- Pursuant to rental agreement dated 1 Oct 2018 with Next Security Pty Ltd, rent of $108,410 was paid for the lease of PlayUp's head office at 48 Epsom Road. Next Security Pty Ltd is a related entity to Daniel Simic and Richard Sapsford.
- A professional fee of $17,623 was paid to Toumi Pty Ltd, which is a related entity to Ryan Bowman.

28. Parent entity information

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

	Consolidated 2019 $	Consolidated 2018 $
Statement of profit or loss and other comprehensive income		
Loss after income tax	(4,829,622)	(1,052,874)
Total comprehensive income	**(4,829,622)**	**(1,052,874)**
Statement of financial position		
Total current assets	23,788,250	11,954,775
Total assets	25,041,870	13,181,978
Total current liabilities	—	9,209
Total liabilities	11,051,736	3,843,652
Equity		
Issued Capital	19,230,163	9,982,141
Share based payment reserve	642,979	400,362
Accumulated Losses	(5,883,008)	(1,053,386)
Total equity	**13,990,134**	**9,329,117**

Contingent Liabilities
The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital Commitments – Property, Plant and Equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

Significant accounting policies
The accounting policies of the parent entity is consistent with those of the consolidated entity, as disclosed in Note 1, except for the following:

- Investment is subsidiaries are accounted for at cost, less any impairment, in the parent entity
- Investment in associates are accounted for at cost, less any impairment, in the parent entity

29. Commitments

	Consolidated 2019 $	Consolidated 2018 $
Commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,320,571	1,160,250
One to two years	128,625	880,005
Two to three years	—	221,085
	1,449,196	**2,261,340**

Operating commitments include amounts related to sports data and live feeds and brand ambassadors.

30. Investments in Subsidiaries

The ultimate parent entity within the Group is PlayUp Limited. The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries who all operate in Australia;

	Ownership Interest	
Name	**2019**	**2018**
Interest in wholly controlled subsidiaries	%	%
Fantigma Pty Ltd	100.00	100.00
Playup Australia Pty Ltd	100.00	100.00
Fantasy Centre Pty Ltd	100.00	100.00
Fan Central Pty Ltd	100.00	100.00
Fan Technology Pty Ltd	100.00	100.00
Playup Digital Pty Ltd	100.00	100.00
Playup Interactive Pty Ltd	100.00	100.00
Sportopia Group Pty Ltd	100.00	100.00
Classic Bet (NSW) Pty Ltd – Sold on 30 June 2019	—	100.00
Best Bet (NSW) Pty Ltd – Sold on 30 June 2019	—	100.00
Betting.Club.com.au Pty Ltd – Sold on 30 June 2019	—	100.00
TopBetta Pty Ltd	100.00	100.00
Fantasy Studio India Pvt Ltd	99.99	—
Interest in associated entities	%	%
Starcoach Sports Digital Pty Ltd	50	50
Social Figures Global Pty Ltd	33.33	33.33

31. Discontinued Operation

On 30th June 2019, the group sold 100% of shares in ClassicBet (NSW) Pty Ltd, Best Bet (NSW) Pty Ltd and Betting.Club.com.au Pty Ltd for a consideration price of $3,021. During the reporting year all the Intangible assets and goodwill in these entities were transferred within the group.

32. Contingent Liability

The group has given two bank guarantees of $200,000 each to the Northern Territory Government as security for its wagering licences held. PlayUp made adjustment of $113,865 reducing the deferred payment liability on the purchase of ClassicBet Pty Ltd for its liability incurred before the date of completion during the prior year.

On 23 March 2018 Fanma Pty Ltd (formerly PlayUp Australia Pty Ltd, and Fantasy Sports Australia Pty Ltd) entered into Share Sale and Purchase Agreements (SSPA) with Alex Kay and Ryan Kay to purchase the shareholding in companies described as A.C.N 167 422 406 Pty Ltd (formerly Classicbet (NSW) Pty Ltd, and Classicbet Pty Ltd) and A.C.N 607 108 645 Pty Ltd (formerly Winkybet Pty Ltd, Best Bet (NSW) Pty Ltd, and Bestbet.com.au Pty Ltd). As part of the

SSPA the vendors were required to disclose contracts, liabilities, and contingent liabilities of each entity. The vendors also provided warranties and indemnities to protect Fanma Pty Ltd from any known / accrued future claims.

Post completion, a supplier to A.C.N 167 422 406 Pty Ltd and A.C.N 607 108 645 Pty Ltd, namely KRM (Vic) Pty Ltd sought payment for monies owed under an affiliate contract. The KRM contract was not disclosed to Fanma Pty Ltd at the time of executing the SSPA. A.C.N 167 422 406 Pty Ltd and A.C.N 607 108 645 Pty Ltd were sold by the Group on 30 June 2019 to a non-related party.

KRM commenced proceedings against A.C.N 167 422 406 Pty Ltd, A.C.N 607 108 645 Pty Ltd and Ryan Kay (in his personal capacity). Subsequent to the end of the Financial Year 2019, the matter was heard in the Supreme Court of NSW on 23 Sept 2019 with judgement reserved. A decision was delivered on 19 Dec 2019 with outcome, Defendants (including Ryan Kay) to pay KRM the sum of $3,684,690.98 plus costs. The Defendants prosecuted an Appeal which was heard on 7 April 2020, with judgement reserved. The Appeal was dismissed on 12 May 2020.

Fanma has commenced proceeding against the vendors named in the SSPA for its loss and damage resulting from the claim made by KRM (Vic) Pty Ltd. The particulars of this litigation are "Fanma Pty Ltd v Ryan Kay and Alex Kay" in the Supreme Court of NSW (Proceedings 2018/319830). Fanma Pty Ltd contend that Ryan Kay and Alex Kay failed to disclose the KRM contract, satisfy and discharge liabilities and contingent liabilities of A.C.N 167 422 406 Pty Ltd and A.C.N 607 108 645 Pty Ltd at the time of executing the SSPA and as a consequence have breached their seller warranties and indemnities as specified in the SSPA.

Based upon the advice it has received PlayUp is unable to determine or quantify the financial impact the above matters might have upon it and what recovery it is able to make against the vendors. The proceedings are listed before the Court for further directions hearing on 31 July 2020, at which time it is expected they will be timetabled with an allocation of date for final hearing in late 2020.

33. Subsequent Events

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years, except those noted below.

Fanma Pty Ltd (Formerly called Playup Australia Pty Ltd) v Ryan Kay and Alex Kay (Supreme Court of NSW Proceedings 2018/319830).

KRM (VIC) Pty Ltd v A.C.N 167 422 406 Pty Ltd (formerly Winky Bet Pty Ltd, formerly Classic Bet (NSW) Pty Ltd), A.C.N 607 108 645 Pty Ltd (formerly Best Bet (NSW) Pty Ltd) and Ryan Kay – Supreme Court of NSW Proceedings 2018/314837.

Additional information regarding these matters is contained in the Directors Report and Note 32.

COVID-19

In December 2019, a novel strain of coronavirus disease ("COVID-19") was first reported in Wuhan, China. Less than for months later, on March 11, 2020, the World Health Organisation declared COVID-19 a pandemic. The extend of COVID-19's effect on the group's operational and financial performance will depend on the future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the group's business. However, if the pandemic continues to evolve into a severe worldwide health crises, the disease could have a material adverse effect on the group's business, results of operation, financial conditions and cash flows.

Subsequent to year end and at the date of signing the report, the value of the financial asset in note 11 has increased by circa $315,000.

34. Statutory Information

The registered office and principal place of business of the company is:
PlayUp Limited
48-56 Epsom Road, Zetland NSW 2017

In the director's opinion:

- The financial statement and notes comply with the Corporation Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The financial statements and notes comply with International Financials Reporting Standards as issued by the International Accounting Standard Board as described in note 1 of the financial statement;
- The financial statements and notes give a true and fair view of the group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date;
- There are reasonable grounds to believe that the company and group will be able to pay its debts as and when they become due and payable; and

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors:

Daniel Simic Director	Richard Sapsford Director

Dated 1st day of July 2020

UHY Haines Norton
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of PlayUp Limited

Opinion

We have audited the financial report of PlayUp Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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, notes to the 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:

i. giving a true and fair view of the Group's consolidated financial position as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

ii. complying with Australian Accounting Standards 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 auditor independence requirements of 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 (a) of the financial report, which indicates that the Group incurred a net loss of $10,870,362 during the financial year ended 30 June 2019 and, as of that date the Group's liabilities exceeded its assets by $6,018,427. These events or conditions, along with other matters as set forth in Note 1 (a), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Other Information

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 2019, 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 and the *Corporations Act 2001* and for 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 ability of the Group 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 has 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

UHY Haines Norton

M. D. Nicholaeff
Partner

UHY Haines Norton
Chartered Accountants

Sydney
1 July 2020