PlayUp Limited
ABN 56 612 529 307

ANNUAL REPORT 2020

For the Year Ended 30 June 2020

ABN: 56 612 529 307

DOCUMENT DATED: 30 OCTOBER 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 2020.

DIRECTORS

The following persons held office as directors of PlayUp Limited during the financial year and up to the date of this report, unless otherwise stated:

Daniel Simic
Richard Sapsford
Michael Costa
Ryan Bowman (resigned 23 October 2019)
Dr. Laila Mintas (appointed 5 June 2020)
Dennis Drazin (appointed 1 July 2020)

PRINCIPAL ACTIVITIES

The group's principal activities during the financial year were as follows:

- Offering online Sports Betting, Horse and Greyhound Racing (Fixed Odds, Pari-mutuel Tote Derivatives and Exotics), Daily Fantasy Sports (DFS) and Esports, primarily to the Australian consumer market;

- Offering online peer to peer Daily Fantasy Sports betting via peer to peer contests and the like, primarily to the Australian consumer market;

- Offering online/offline prize-based golf challenges to the Australian consumer market;

- Development of technologies, platforms and products, which includes new and additional functionality, features, enhancements and upgrades;

- Securing USA online betting market access & licensing partnerships in North Dakota, Colorado and New Jersey; and

- Research and development on new technology and new markets.

PlayUp is an online Betting Entertainment and Technology Group providing a suite of innovative betting solutions to sports fans and thrill-seekers who love a bet. Its primary offerings include Sports Betting, Horse and Greyhound Racing (Fixed Odds, Pari Mutuel Tote Derivatives and Exotics), Daily Fantasy Sports (DFS), and Esports.

PlayUp develops in-house proprietary betting and DFS technologies to power its own platforms and to stay ahead of the industry curve. Owning its technology allows PlayUp the flexibility to innovate, build and scale new and existing products.

PlayUp holds betting licences in multiple jurisdictions, primarily operating in Australia. PlayUp secured pari-mutuel betting licenses in North Dakota USA and tested the DFS space in India. Post year end PlayUp also acquired the betting license in Colorado and a market access agreement in New Jersey awaiting for the betting license approval. It actively follows global gambling regulatory changes seeking opportunities in new markets. PlayUp have offices in Australia, USA and India.

Australia is currently PlayUp’s biggest market, with over 300,000 registered users generating in excess of AUD$270m of gross gaming turnover (handle) annually. Additionally, PlayUp’s fantasy sports brand DraftStars is the largest and most recognised DFS provider in the country with its other betting products continuing to grow at speed.

DIVIDENDS

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

REVIEW OF OPERATIONS

The loss for the group after providing for income tax amounted to $6,711,082 (2019 loss: $10,870,362).

After the consolidation of PlayUp's various brands it acquired in the previous years, the group's foundations of underlying business were solidified and its positioning in the market strengthened under the "PlayUp" brand during the financial year ended 30 June 2020. The group also started preparing for the international expansion into the USA market and won tenders for online wagering markets access in the 2 key states, New Jersey and Colorado.

The wagering segment of the group achieved gross gaming turnover of circa $255 million and net revenue of $16.1 million in financial year ended 30 June 2020. PlayUp expects this segment to achieve further growth in the next financial period.

Daily Fantasy Sports and online gaming achieved gross gaming turnover of circa $19 million and net revenue of $1.36 million in financial year ended 30 June 2020. PlayUp expects this segment to achieve further growth in the next financial period.

Overall PlayUp's combined turnover was circa $274 million and net revenue circa $17.5 million in the financial year ended 30 June 2020.

PlayUp's focus in the following year will be to secure additional funding to enhance the growth in Australia, secure additional bookmaker licenses in USA and accelerate its USA operations. With additional funding PlayUp will also prepare for an Initial Public Offer on Nasdaq.

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The COVID-19 outbreak was declared a pandemic by the World Health Organisation in March 2020. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community and the economy. Following the COVID-19 outbreak, the group has continued its operation with minimal disruption and as a result, there has not been a significant impact on the group for the year ended 30 June 2020. However, the situation is unprecedented and we will continue to pay close attention to the potential implications of the pandemic and the impact on operations, which may include disruptions to the supply chain and availability of employees.

There have been no other significant changes in the state of affairs of the group during the year.

EVENT SINCE THE END OF THE FINANCIAL YEAR

Events arise since 30 June 2020 that has significantly affected the group's operation were as follows.

(a) Share consolidation

Pursuant to section 254H of the *Corporations Act*, Rule 2.7 of the company's Constitution, and for all other purposes, the issued capital of the company was consolidated on the basis that every thirty-five (35) shares be consolidated into one (1) share on 13 August 2020.

The following table details the number of shares on issue and the value of the shares immediately pre and post consolidation.

	Number of shares on issue
Pre-consolidation	487,209,800
Post-consolidation	13,920,280

The consolidation also reduced the number of PlayUp options on issue, in the same ratio as the total number of shares, such that the total number of options on issue decreased from 33,803,807 to 965,834. The total number of shares to be issued if all options are exercised decreased from 33,803,807 to 965,834.

(b) Entitlement offer

The company conducted a partially underwritten non-renounceable pro rata offer of new shares to eligible shareholders. The total funds raised under the entitlement offer is $25,384,703. This offer was completed on 30 September 2020. The total number of new shares issued as part of the offer was 8,844,849.

The total funds raised in the entitlement offer also include a number of eligible shareholders who capitalised the debt owing to them from the company in consideration for the take up of their entitlement, additional shares and under the sub-underwriting arrangement. The debt which was capitalised is in the table below:

EVENT SINCE THE END OF THE FINANCIAL YEAR

(b) Entitlement offer (continued)

Shareholder	Debt capitalised to equity
Wizer Pty Ltd ATF Wizer Unit Trust	$8,971,745.00
Ever Wise Ventures Limited*	$3,210,753.00
PlayChip Foundation Limited	$4,415,900.00
Paul Jeronimo	$27,000.00
Vassiliki Nicolau	$52,000.00
Investorlink Securities Limited	$606,390.00
Dr Laila Mintas**	$407,616.00
DNS Assets Pty Ltd***	$46,951.00
Total	**$17,738,355.00**

The above debt capitalisation is inclusive of any interest or charges applicable to these debts.

Please refer to note 21 Borrowings of the financial statement for further information.

* $942,595 of the total debt owed to Ever Wise Ventures Ltd is included in trade payables for their services provided to the group.

** Dr Laila Mintas was a non-executive director in financial year 2020 and this amount is related to a debt incurred after 30 June 2020, therefore not in the liabilities of the group as of the period ending 30 June 2020.

*** Debt owed to DNS Assets Pty Ltd is included in trade payables, please refer to note 32 for further information.

(c) Subsequent to year end and at the date of signing the report, the value of PlayChips under note 14 other financials assets has decreased by $131,000. The valuation was based on the average closing price for 30 days of PlayChips on coinmarketcap (Note 14) prior to signing date of financial statements.

Likely developments and expected results of operations

PlayUp has two main goals it will focus on:

Growth in Australia. PlayUp will grow its market share in Australia by strengthening its market position as an innovative brand that offers a boutique service to a more enthusiastic and sophisticated user. PlayUp prides itself on great innovation across a diversified product range that continually offers the best winnings (odds or returns) in the market, all supported by the highest quality of responsive, personalised service. Marketing expenditure will significantly increase to highlight our unique points of difference and our promotions and subsequently grow our active userbase and revenues.

Expansion into the USA. PlayUp will take advantage of its opportunities to expand into the nascent USA sports betting market and IGaming market. PlayUp currently (post year end) has market access and a temporary licence to conduct online sports betting in Colorado, with the intention to go live by the calendar year ending December 2020.

PlayUp is also in final stages of contract review for sports betting market access in New Jersey. Furthermore, other sports betting licences in Indiana and Iowa are positively progressing. PlayUp is also in negotiation for an IGaming (online casino table games and slots) in New Jersey.

PlayUp intends to offer Sports Betting, Fantasy Sports, Pari-Mutuel Horse Racing, Esports and IGaming 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 overall value for stakeholders.

ENVIRONMENTAL REGULATION

The group is not affected by any significant environmental regulation under Australian Commonwealth or State law.

INFORMATION ON DIRECTORS

Daniel Simic, Executive Director, Group Chief Executive Officer

Secretary (resigned 5th June 2020)

Associate Diploma in Electrical Technology

Daniel is a founder and successful venture capital investor across the start-up technology sector. He has held board positions and key management roles, leading to many successful exits. Daniel has an entrepreneurial spirit with strong leadership skills and a passion for the online betting space, particularly the ability to innovate, scale through technology and the opportunities it presents to expand globally. Having held board positions in online betting for almost a decade, his high level of experience and deep knowledge base of the industry, Daniel has grown PlayUp from a bootstrap start-up to a recognised global operator.

Dr Laila Mintas, Executive Director, USA Chief Executive Officer

First and Second State Examination in Law on High Regional Court of Berlin/Germany

Ph.D. at Humboldt University of Berlin/Germany 'Gambling via the internet - in particular sports betting with fixed odds (Oddset-wagers) under Criminal law, Public and Administrative law and European law', published as a book and e-book by Duncker & Humblot 2009

Dr Laila is one of the world's leading experts in online gaming and sports betting. Previously, she served as Deputy President, at multinational Sportradar (valued at 2.4bn during her tenure). Winner of awards such as; Leaders in Sports, SBJ Game Changer and the International Award for Women in the Gaming Industry. Laila was named one of 25 executives to watch in 2019 by GBB, SBJ Power Player Sports Betting 2019 and Business Insider's Leaders of the Sports Betting Industry 2019.

Michael Costa, Executive Director, Chief Technical Officer

Michael has spent over 10 years heading up the technology divisions of wagering and online gaming businesses across Australia. After leading the development of wagering software at ASX listed bookmaker The BetMakers (formerly Topbetta), Michael founded what is now PlayUp with Daniel and oversees all aspects of the technical operations.

INFORMATION ON DIRECTORS (continued)

Richard Sapsford

(Non-Executive Director)

Diploma in Agricultural Engineering, Chippenham Technical College, Wiltshire UK

Richard is a property developer, private equity investor, venture capitalist and ex majority owner of Sydney's iconic hotel Palisade, who is not afraid to seed technology startups which show positive signs of succeeding. Richard has owned and operated one of the largest privately owned pest control business in Australia for over 35 years and successfully exited from its sale to Anticimex in 2016. Richards diversified technology interests cut across gaming, auctions, social monitoring, blockchain, exchange platforms and biotech.

Dennis Drazin, Non-Executive Director

J.D. from The Dickinson School of Law, Carlisle, Pennsylvania

B.A. from Ohio State University, Columbus, Ohio

Dennis is the Chairman and CEO of Darby Development LLC, which operates Monmouth Park on behalf of the New Jersey Thoroughbred Horsemen's Association. He masterminded the repeal of PASPA and was inducted to the Sports Betting Hall of Fame in 2019. He runs his law firm Drazin and Warshaw and is a well-recognized expert and leading voice in the racing and gambling industry.

Ryan Bowman, Ex-Executive Director, Ex Chief Marketing Officer

Bachelor of Commerce, Australian National University

Ryan is a digital entrepreneur and one of the pioneers of mobile; content, advertising and billing services in Australia. He founded mConnect in 2005, a global mobile content distribution and billing company which grew to have offices in offices in USA, UK and Australia, servicing mobile users and carrier clients in 20 countries via agreements with 120 of the world's largest mobile carriers including; ATT, Verizon, 02, T-Mobile, Optus, Telstra, Vodafone. mConnect was responsible for the monetization of over 350 million dollars of mobile content via millions of transactions annually. Ryan exited mConnect via a listing on the ASX in 2010.

INFORMATION ON SECRETARY

Paul Jeronimo, CEO Australia and Company Secretary (appointed 5th June 2020)

B.Bus University of Technology Sydney, CPA (CPA Australia)

Paul has extensive public company experience with over 15 years in the online telecommunications, wagering and gaming sectors. Previously he held CFO and Company Secretarial roles at ASX listed companies Engin Limited (2004-2008), Mobile Embrace Limited (2009-2012) and the CFO/COO role at The BetMakers Limited (2016-2018).Paul has also spent time in the UK as Finance Director and Company Secretary of telco start-up Global gig (2012 to 2016). Paul brings unparalleled financial experience and valuable insight into publicly listed wagering companies.

MEETINGS OF DIRECTORS

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2020, and the numbers of meetings attended by each director were:

	Full meetings of directors	
	A (Meetings attended)	**B (Meetings Held)**
Daniel Simic	12	12
Richard Sapsford	12	12
Michael Costa	12	12
Ryan Bowman	-	2
Dr. Laila Mintas	1	2

Shares under option

During the year 10,146,777 options (pre-consolidation) were granted to the employees of the company under the group's employee share option plan. No shares have been issued during the financial year or since the end thereof by virtue of the exercise of any options.

Insurance of officers and indemnities

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.

Proceedings on behalf of the group

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

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001.*

AUDITOR’S INDEPENDENCE DECLARTION

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2020 has been received and is included with the financial statements which is set out on page 12.

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

Daniel Simic
Director

Richard Sapsford
Director

Michael Costa
Director

Sydney
30 October 2020

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 2020, 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.

M.D. Nicholaeff

UHY Haines Norton

M.D. Nicholaeff
Partner
Sydney
30 October 2020

UHY Haines Norton
Chartered Accountants

CONTENT

Financial statements

These financial statements are the consolidated financial statements for the group consisting of PlayUp Limited and its subsidiaries. A list of subsidiaries is included in note 33. The financial statements are presented in Australian dollar ($).

PlayUp Limited is a for profit, non-listed public company, incorporated and domiciled in Australia.

Its registered office since 13th August 2020 is:
Suite 7, 2-4 Northumberland Road
Caringbah NSW 2229

Its principal place of business is:
48 Epsom Road
Zetland NSW 2017

Until 13th August 2020 PlayUp's registered office and principal place of business was 48 Epsom Road, Zetland NSW 2017.

A description of the nature of the group's operations and its principal activities is included in the directors' report on page 1, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 30 October 2020. The directors have the power to amend and reissue the financial statements.

	Notes	2020 $	2019 $
Revenue from continuing operations	6	**17,452,677**	14,078,780
Other gains/(losses) – net	7	**388,370**	713,821
Sporting taxes		**(7,535,229)**	(5,854,556)
Sport data and live feed expenses		**(602,231)**	(625,884)
IT expenses		**(1,152,080)**	(1,173,863)
Advertising and promotions		**(1,870,073)**	(2,169,061)
Employee benefits expense		**(4,632,956)**	(4,280,147)
Depreciation and amortisation	9	**(2,791,345)**	(2,468,592)
Impairment of investment		**(2,279,240)**	(4,117,788)
Professional fees		**(2,060,668)**	(2,952,985)
Rent and outgoings		**(349,498)**	(279,495)
Share-based payment expenses	27(a)	**(546,828)**	(242,617)
Other expenses		**(452,467)**	(731,129)
Finance costs	8	**(1,325,749)**	(853,089)
Loss before income tax		**(7,757,317)**	(10,956,605)
Income tax benefit	10	**1,046,235**	86,243
Loss for the year		**(6,711,082)**	(10,870,362)
Other comprehensive income			
Other comprehensive income/(loss) for the year, net of tax		**-**	-
Total comprehensive (loss) for the year		**(6,711,082)**	(10,870,362)
Loss is attributable to:			
Shareholders of PlayUp Limited		**(6,711,082)**	(10,870,362)
Total comprehensive loss for the year is attributable to:			
Shareholders of PlayUp Limited		**(6,711,082)**	**(10,870,362)**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	11	**4,999,061**	5,667,217
Trade receivables	12	**4,103**	36,469
Other financial assets at amortised cost	13	**727,560**	622,137
Current tax receivables		**236,045**	240,965
Other financial assets	14	**1,431,628**	1,718,465
Other current assets	15	**79,126**	168,921
Total current assets		**7,477,523**	8,454,174
Non-current assets			
Other financial assets at amortised cost	13	**-**	17,929
Investments accounted for using the equity method	16	**90**	91
Property, plant and equipment	17	**170,968**	210,657
Right-of-use assets	18	**163,097**	-
Intangible assets	19	**15,379,900**	17,087,175
Total non-current assets		**15,714,055**	17,315,852
Total assets		**23,191,578**	25,770,026
LIABILITIES			
Current liabilities			
Lease liabilities	18	**51,657**	-
Trade and other payables	20	**11,420,171**	13,561,314
Borrowings	21	**20,013,259**	814,653
Other financial liabilities	22	**113,146**	91,803
Employee benefit obligations	24	**482,315**	343,943
Total current liabilities		**32,080,548**	14,811,713
Non-current liabilities			
Lease liabilities	18	**120,653**	-
Borrowings	21	**-**	14,886,636
Employee benefit obligations	24	**34,033**	46,641
Deferred tax liabilities	25	**908,307**	1,954,542
Provisions	23	**21,475**	-
Other financial liabilities	22	**26,153**	88,921
Total non-current liabilities		**1,110,621**	16,976,740
Total liabilities		**33,191,169**	31,788,453
Net (liabilities)		**(9,999,591)**	(6,018,427)
EQUITY			
Contributed equity	26	**21,413,252**	19,230,162
Other reserves	27(a)	**2,728,726**	2,181,898
Accumulated losses	27(b)	**(34,141,569)**	(27,430,487)
Total (deficiency in equity)		**(9,999,591)**	(6,018,427)

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

	Notes	Contributed equity $	Other reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2018		9,982,141	1,939,281	(16,560,125)	(4,638,703)
Loss for the year		-	-	(10,870,362)	(10,870,362)
Other comprehensive income		-	-	-	-
Total comprehensive (loss) for the year		**-**	**-**	**(10,870,362)**	**(10,870,362)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	26	9,248,021	-	-	9,248,021
Share-based payments	27(a)	-	242,617	-	242,617
		9,248,021	242,617	-	9,490,638
Balance at 30 June 2019		**19,230,162**	**2,181,898**	**(27,430,487)**	**(6,018,427)**
Balance at 1 July 2019		19,230,162	2,181,898	(27,430,487)	(6,018,427)
Loss for the year		-	-	(6,711,082)	(6,711,082)
Other comprehensive income		-	-	-	-
Total comprehensive (loss) for the year		**-**	**-**	**(6,711,082)**	**(6,711,082)**
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs and tax	26	2,183,090	-	-	2,183,090
Share-based payments	27(a)	-	546,828	-	546,828
		2,183,090	546,828	-	2,729,918
Balance at 30 June 2020		**21,413,252**	**2,728,726**	**(34,141,569)**	**(9,999,591)**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**19,124,887**	14,640,690
Payments to suppliers and employees (inclusive of GST)		**(14,281,667)**	(9,441,104)
		4,843,220	5,199,586
Government subsidiaries		**399,831**	-
Interest received		**33,537**	9,346
Interest paid		**-**	(885,177)
Duties and taxes		**(7,535,229)**	(5,853,988)
Research and development incentive received		**-**	596,595
Net cash (outflow) from operating activities	34	**(2,258,641)**	(933,638)
Cash flows from investing activities			
Deferred payments for acquisition of subsidiary in previous years		**(831,930)**	(6,920,960)
Payments for property, plant and equipment		**(50,318)**	(360,715)
Payments for intangibles		**(979,387)**	(940,995)
Proceeds from sale of investments		**-**	18,880
Net cash (outflow) from investing activities		**(1,861,635)**	(8,203,790)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities		**50,000**	3,544,576
Proceeds from borrowings		**3,856,000**	5,382,826
Repayment of borrowings		**(398,880)**	790,117
Principal elements of lease payments		**(55,000)**	-
Net cash inflow from financing activities		**3,452,120**	9,717,519
Net (decrease) increase in cash and cash equivalents		**(668,156)**	580,091
Cash and cash equivalents at the beginning of the financial year		**5,667,217**	5,087,126
Cash and cash equivalents at end of year	11	**4,999,061**	5,667,217

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements

1. Summary of significant accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of PlayUp Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. PlayUp Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the PlayUp Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(iii) New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time in their annual reporting period commencing 1 July 2019:

- AASB 16 *Leases*
- AASB 2018-1 *Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle*
- Interpretation 23 *Uncertainty over Income Tax Treatments.*

The group also elected to adopt the following amendments early:

- AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*, and
- AASB 2018-7 *Amendments to Australian Accounting Standards - Definition of Material.*

The group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 *Leases* and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. This is disclosed in note 2. The other amendments listed above did not have any impact on the amounts recognised in prior years and do not significantly affect the current year.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current year.

(v) 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 2020, the group has net negative assets of $9,999,591 (2019: negative assets of $6,018,427). During the financial year the group incurred a net loss of $6,711,082 (2019: loss of $10,870,362) and also had cash outflows from operating activities of $2,258,641 (2019: outflow of $933,638)

At the end of financial year 30 June 2020 the group prepared a cash flow forecast which indicated that the group did not have sufficient cash to meet its minimum expenditure commitments and support its current level of corporate overheads and therefore needed to raise additional funds to continue as a going concern.

To address the future additional funding requirements of the group, since 30 June 2020, the directors have undertaken the following initiatives:

- Conducted a partially underwritten non-renounceable pro rata entitlement offer of new shares to eligible shareholders. The total funds raised under the entitlement offer was $25,384,703. Refer to note 36 for further details;
- To continually monitor the group's ongoing working capital requirements and minimum expenditure commitments; and
- To continue focus on maintaining an appropriate level of corporate overheads in line with the group's available cash resources.

1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The group has prepared the management results for quarter ending September 2020, which shows an improvement in the trading performance and a *positive cash flow* for the group. Post the entitlement offer and improved trading performance in the quarter ending 30 September 2020, the group's net assets are in positive.

The majority shareholder has provided a letter of comfort confirming continued financial support including injections of working capital. This will provide the group 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.

Based on the above initiatives from the directors, support from majority shareholder and improved trading performance the directors believe the group will continue as a going concern. As of 30 September 2020, the company has sufficient cash to meet its minimum expenditure commitments and support its current level of corporate overheads.

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 group not continue as going concerns.

(b) Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(ii) Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other

1. Summary of significant accounting policies (continued)

(b) Principles of consolidation and equity accounting

comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 1(i).

(iv) Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of PlayUp Limited.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

1. Summary of significant accounting policies (continued)

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer.

The board of PlayUp Limited assesses the financial performance and position of the group and makes strategic decisions with the support of the chief executive officer, the chief financial officer and other key decision makers in the group.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars ($), which is PlayUp Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

All foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

1. Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that consolidated balance sheet
- income and expenses for each consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

(e) Revenue recognition

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities using the methods outlined below.

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 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 earned during that period. Customer promotions such as free bets and bonuses are deducted from revenues. Revenue is recognised when the betting event is settled. The groups revenue from wagering activities falls within the scope of AASB 9. This is because the transactions involve the issuing of financial instruments.

1. Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

Daily Fantasy Sports

Revenue from Daily Fantasy Sports is derived from entry fees paid by clients into challenges less winnings paid out. Customer promotions such as free bets and bonuses are deducted from fantasy revenue. A contract occurs when a player enters a challenge which is published and publically available on the website. Once a contract is entered into with the clients, PlayUp has a performance obligation. Revenue is recognised once the challenges are settled, which is when a performance obligation is transferred.

PlayUp has a liability in relation to the players funds (included within note 20) for its daily fantasy sports events. This is a net of funds received from players less any withdrawals, plus winnings, and any free bets and bonuses from prior events. These closing funds have not been committed to enter in a contract as at 30 June 2020. Therefore, PlayUp have no performance obligations associated with these liabilities at 30 June 2020.

Contract liabilities are related to unresulted bets which have been committed and acknowledged by both PlayUp and its clients for an event in a future date.

Other revenue

Other revenue is recognised on the accrual of that revenue.

Interest income

Interest income is recognised using the effective interest method.

(f) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that:
(a) all conditions attaching to the Government grant will be complied with;
(b) the value of the grant/subsidy can be determined with reasonable certainty;
(c) the grant will be received.

Government grants are recognised in the profit or loss over the periods in which the Group recognises related expenses. Where government grants relate to costs which have been capitalised as non-current assets these are recognised as a reduction to the related non-current asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

1. Summary of significant accounting policies (continued)

(g) Income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

PlayUp Limited and its wholly owned Australian subsidiaries are part of a tax consolidation group, which means that these entities are taxed as a single entity where PlayUp Limited is the head of the tax consolidation group. PlayUp Limited recognises the current tax liabilities (or assets) and if applicable the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. These entities do not have a tax funding arrangement currently in place; however, the group is currently in a loss making position and does not pay income tax or recognise deferred tax assets where compensation would need to be distributed within the group.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

1. Summary of significant accounting policies (continued)

(h) Leases

As explained in note 1(a) above, the group has changed its accounting policy for leases where the group is the lessee. The impact of the change is disclosed in note 2.

Until the start of 2020 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases where the group as a lessee has substantially all the risks and rewards of ownership are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases (note 31). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments (where applicable):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the group under residual value guarantees,
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

1. Summary of significant accounting policies (continued)

(h) Leases (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by PlayUp Limited, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

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

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability.

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

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options

Where applicable extension and termination options are included in property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

1. Summary of significant accounting policies (continued)

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

(j) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(k) Trade receivables

Trade receivables are recognised initially at the transaction price (i.e. cost) and are subsequently measured at amortised cost using the effective interest method less loss allowance. 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, they are written off and recognised immediately in statement of comprehensive income.

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets

Financial assets

Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The management determines the classification of its investments at initial recognition at its fair value and re-evaluates the designation at the end of each reporting period. Gains and losses will either be recorded in profit or loss or OCI.

The group's financial assets comprise of trade and other receivables, government grants receivable, playchips, betback accounts and loans to related parties.

Recognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. The group classifies its debt instruments into the following measurement category:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other Income/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The group assesses impairment on a forward-looking basis and the expected credit losses associated with its financial assets carried at amortised cost. The group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Financial liabilities

Classification

Financial liabilities are classified as measured at amortised cost or Fair Value Through Profit or Loss (FVTPL) under AASB 9. Reclassification or financial liabilities is not permitted upon the adoption of this accounting standard. The group's financial liabilities include trade and other payables, non-current provisions, borrowings, other financial liabilities, players unresulted bets and lease liability.

Recognition, initial and subsequent measurement

Financial liabilities are recognised on the date when the obligation has been entered into. The group's financial liabilities are recognised initially at fair value and, in the case of loans from related parties, net of directly attributable transaction costs. Financial liabilities are subsequently measured using the effective interest rate (EIR) method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

Derecognition

The group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The group also derecognises a financial liability when the existing financial liability is replaced by another from the same party on substantially different terms, or the terms of the existing liability are substantially modified. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference in the respective carrying amounts is recognised in profit and loss.

(m) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under AASB 9 *Financial Instruments* and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of AASB 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(n) Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which they are incurred.

1. Summary of significant accounting policies (continued)

(n) Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

• Leasehold improvements	7 years
• Plant and equipment	4 years
• Motor vehicles	8 years
• Office furniture and equipment	2 – 4 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(o) Intangible assets

(i) 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.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 5).

1. Summary of significant accounting policies (continued)

(l) Intangible assets (continued)

(ii) Patent, trademark, licences, client databases, domains and social media

Separately acquired patents, trademarks, licences and client databases are shown at historical cost. Trademarks, licences and client databases acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

(iii) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

(iii) Software (continued)

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(iv) Research and development

Research expenditure and development expenditure that do not meet the criteria in (iii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year.

1. Summary of significant accounting policies (continued)

(o) Intangible assets (continued)

(v) Amortisation methods and useful lives

The group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

• Patent and trademarks	7 years
• Software development	5 years
• Client databases	5 years
• Domains and social media	7 years
• Licences	5 years

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the year of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the year of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

1. Summary of significant accounting policies (continued)

(r) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the year of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial year of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the year in which they are incurred.

(s) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value 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 passage of time is recognised as interest expense.

(t) Employee benefits

(i) Short-term obligations

Liabilities for accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

The obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

1. Summary of significant accounting policies (continued)

(t) Employee benefits (continued)

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the Employee Option Plan.

The fair value of options granted under the Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific time period).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(iv) Retirement benefit obligations

Contributions to the defined contribution section of the group's superannuation plan and other independent defined contribution superannuation funds are recognised as an expense as they are incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available

1. Summary of significant accounting policies (continued)

(u) Contributed equity

Ordinary shares are classified as equity.

(v) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

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

1. Summary of significant accounting policies (continued)

(x) Parent entity financial information

The financial information for the parent entity, PlayUp Limited, disclosed in note 39 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries and associates

Investments in subsidiaries and associates are accounted for at cost in the financial statements of PlayUp Limited. No dividends were received from associates.

(y) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting year.

(z) Reclassification and comparative figures

Reclassifications have been made to the prior year figures to enhance comparability with the current year figures. As a result, comparative figures have been amended in the consolidated balance sheet, consolidated statement of comprehensive income and the related notes of the financial statements to conform with the current year presentation.

2. Changes in accounting policies

This note explains the impact of the adoption of AASB 16 *Leases* on the group's financial statements.

As indicated in note 1(a) above, the group has adopted AASB 16 *Leases* retrospectively from 1 July 2019, but has not restated comparatives for the 2019 reporting year, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. There was no impact on opening retained earnings as a result of the adoption of AASB 16 *Leases.* The new accounting policies are disclosed in note 1(h).

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5%. The initial measurement of the right of use assets is outlined in note 1(h).

2. Changes in accounting policies

(i) Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 July 2019,
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease.*

Right to use of asset were measured equally to lease liabilities and there were no impacts to retained earnings (accumulated losses) as a result of the adoption to this standard.

(ii) Measurement of lease liabilities

	2020 $
Operating lease commitments disclosed as at 30 June 2019	146,440
(Less): short-term leases not recognised as a liability	(30,940)
Add/(less): adjustments as a result of a different treatment of extension and termination options	101,963
Lease liability recognised as at 1 July 2019	**217,463**

Of which are:	
Current lease liabilities	45,153
Non-current lease liabilities	172,310
	217,463

3. Financial risk management

The group's activities expose it to a variety of financial risks, particularly liquidity risk, credit and wagering risk.

The group's overall risk management program focuses on the unpredictability of wagering liabilities, credit and liquidity risk.

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, evaluates and hedges financial risks within the group's operating units.

(a) Market risk

(i) Foreign exchange 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 2 % (2019: 1%) of total expenditure, the group have setup a wholesale FX deal structure with its bank for any expenses paid in foreign currency for a better exchange rate compared to the retail market. Although, movements in foreign exchange rates have an immaterial impact on the groups trading.

The group's exposure to foreign currency risk within trade and other payables at the end of the reporting period, expressed in Australian dollars was $231,214 (2019: $299,661).

Amounts recognised in profit or loss and other comprehensive income

During the year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

	2020 **$**	2019 $
Amounts recognised in profit or loss		
Net foreign exchange gain/(loss) included in other income/other expenses (note 7)	**(11,460)**	(22,742)
Total net foreign exchange (losses)/gains recognised in profit before income tax for the period	**(11,460)**	(22,742)

3. Financial risk management (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The group is not exposed to a significant interest rate risk as majority of the borrowings are subject to fixed interest rate. The group also have two term deposits held with Aa3 rated Australian financial institutions and the movement of interest rates have an immaterial impact on the groups trading. The group also have a deposit held in a A1 rated investment trust which earns a variable interest paid to the group on monthly basis. This deposit is secured through a related party loan and the interest paid to the lender equate to the monthly distribution to the group by the investment trust. The is no impact on the group's trading through this arrangement. All other cash is held in chequing account which do not earn interest.

The group maintains a policy of holding deposits with banks and investment institutions with a minimum independent rating of "A".

(b) 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 consolidated balance sheet 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.

(i) Impairment of financial assets

Trade and other receivables

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Refer to note 1(k) for further information.

On that basis, the loss allowance as at 30 June 2020 and 30 June 2019 was determined as follows for both trade receivables and other financial assets:

30 June 2020	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 120 days past due**	**Total**
Gross carrying amount – trade receivables	4,103	-	-	-	4,103
Gross carrying amount – other financial assets at amortised costs	137,699	-	-	589,861	727,560
Gross carrying amount – other financial assets	1,431,628	-	-	-	1,431,628
Loss allowance	**-**	**-**	**-**	**-**	**-**

3. Financial risk management (continued)

(b) Credit risk (continued)

(i) Impairment of financial assets (continued)

Trade and other receivables (continued)

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 and other receivables	36,469	-	-	-	36,469
Gross carrying amount – other financial assets at amortised costs	622,137	-	-	-	622,137
Gross carrying amount – other financial assets	1,718,465	-	-	-	1,718,465
Loss allowance	-	-	-	-	-

(c) 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.

(i) Financing arrangements

The group had access to the following undrawn borrowing facilities at the end of the reporting year:

	2020 $	2019 $
Total facility availability	**11,000,000**	11,000,000
Amount drawn	**8,971,745**	10,470,736
Amount undrawn	**2,028,255**	529,264

There are no restrictions on drawing any undrawn amount up to the facility limit. The amounts outstanding of this facility has been converted to ordinary shares in the company subsequent to 30 June 2020. Please refer to note 36 Events occurring after the reporting period for further details

3. Financial risk management (continued)

(a) Liquidity risk (continued)

(ii) Maturities of financial liabilities

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

(a) all non-derivative financial liabilities, and

(b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

3. Financial risk management (continued)

(a) Liquidity risk (continued)

Contractual maturities of financial liabilities 30 June 2020	**Less than 1 year $**	**Between 1 and 2 years $**	**Between 2 and 5 years $**	**Over 5 years $**	**Total contractual cash flows $**	**Carrying amount liabilities $**
Non-derivatives						
Trade and other payables	**(11,420,171)**	**-**	**-**	**-**	**(11,420,171)**	**(11,420,171)**
Provisions	**-**	**(21,475)**	**-**	**-**	**(21,475)**	**(21,475)**
Borrowings	**(20,013,259)**	**-**	**-**	**-**	**(20,013,259)**	**(20,013,259)**
Other financial liabilities	**(31,444)**	**(26,153)**	**-**	**-**	**(57,597)**	**(57,597)**
Lease liabilities	**(51,657)**	**(120,653)**	**-**	**-**	**(172,310)**	**(172,310)**
Total non-derivatives	**(31,516,531)**	**(168,281)**	**-**	**-**	**(31,684,812)**	**(31,684,812)**
Derivatives						
Other financial liabilities - Player unresulted bets	**(81,702)**	**-**	**-**	**-**	**(81,702)**	**(81,702)**
Total derivatives	**(81,702)**	**-**	**-**	**-**	**(81,702)**	**(81,702)**

30 June 2019	Less than 1 year $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total contractual cash flows $	Carrying amount liabilities $
Non-derivatives						
Trade and other payables	(13,561,314)	-	-	-	(13,561,314)	(13,561,314)
Borrowings	(814,653)	(15,835,236)	-	-	(16,649,889)	(15,701,289)
Other financial liabilities	(60)	(88,921)	-	-	(88,981)	(88,981)
Total non-derivatives	**(14,376,027)**	**(15,924,157)**	**-**	**-**	**(30,300,184)**	**(29,351,584)**
Derivatives						
Other financial liabilities - Player unresulted bets	(91,743)	-	-	-	(91,743)	(91,473)
Total derivatives	**(91,743)**	**-**	**-**	**-**	**(91,743)**	**(91,473)**

Of the $20,013,259 disclosed in the 2020 borrowings, the group has converted $16,341,193 subsequent to 30 June 2020. Please refer to note 36 Events occurring after the reporting period for further details.

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.

3. Financial risk management (continued)

(d) Recognised fair value measurements - Financial assets and liabilities

(i) Fair value hierarchy

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 2020**	**Notes**	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets					
Playchips	14	**1,330,376**	**-**	**-**	**1,330,376**
Betback account	14	**-**	**-**	**101,252**	**101,252**
Total financial assets		**1,330,376**	**-**	**101,252**	**1,431,628**
Financial liabilities					
Player unresulted bets	22	**-**	**-**	**(81,702)**	**(81,702)**
Total financial liabilities		**-**	**-**	**(81,702)**	**(81,702)**

Recurring fair value measurements At 30 June 2019	Notes	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets					
Playchips	14	1,585,657	-	-	1,585,657
Betback account	14	-	-	132,808	132,808
Total financial assets		1,585,657	-	132,808	1,718,465
Financial liabilities					
Player unresulted bets	22	-	-	(91,743)	(91,743)
Total financial liabilities		-	-	(91,743)	(91,743)

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year.

3. Financial risk management (continued)

(d) Recognised fair value measurements – Financial assets and liabilities (continued)

Disclosed fair values

The group also has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

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

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 year. The quoted market price used for financial assets held by the group is the current bid price adjusted for fluctuations based on management judgements, refer to (ii) below for valuation techniques. This is the case for playchips 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 and prior 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 for this reporting period.

(ii) Valuation techniques used to determine fair values

Level 3 items 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 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 30 June 2020. Cryptocurrencies are volatile tradeable instruments and may result in material change in fair value.

PlayUp's management calculated the fair value of playchips based on the average daily closing price derived from *coinmarketcap* for 30 days before and after the balance date. As cryptocurrencies are volatile financial instruments, management will consistently review the valuation technique each reporting period.

4. Critical estimates, judgements and errors

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

(a) Significant estimates and judgements

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(b) Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) 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.

(ii) Estimated impairment of 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.

(iii) 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.

4. Critical estimates, judgements and errors (continued)

(b) Critical accounting estimates and assumptions (continued)

(iv) 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 currently not made judgments as to the probability of future taxable revenues being generated against which tax losses will be available for offset.

(v) Estimation of useful life of assets

The group determines the estimated useful lies and related depreciation and amortisation charges for its plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(vi) Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. Refer to note 19 for further information.

5. Segment information

(a) Description of segments and principal activities

The group operates in the following segments:

Wagering: The group operates an online wagering service which utilises 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 and Online Gaming: The group operates an online daily fantasy sports service which utilises proprietary cloud-based technology to provide a consumer facing fantasy sports platform. The platform interfaces to risk, odds, content and customer relationship management systems.

Other Corporate: Any revenue, expenses, assets and liabilities which are not related to the operational activities of the other two segments are disclosed in this segment, including any head office and groups costs.

5. Segment information (continued)

(b) Segment results

The segment information for the year ended 30 June 2020 is as follows:

2020	Wagering $	Fantasy and Online Gaming $	Other corporate $	Total $
Sales to external customers	16,096,544	1,356,133	-	17,452,677
Revenue from external customers	**16,096,544**	**1,356,133**	**-**	**17,452,677**
Other income	-	-	(1)	(1)
Government subsidiaries	233,910	27,607	138,314	399,831
Interest income	44,997	-	-	44,997
Net foreign exchange gains/(losses)	-	-	(11,460)	(11,460)
Sporting taxes	(7,384,525)	(150,704)	-	(7,535,229)
Sport data and live feed expenses	(189,587)	(412,644)	-	(602,231)
IT expenses	(767,700)	(293,450)	(90,930)	(1,152,080)
Advertising and promotions	(1,463,747)	(139,021)	(267,305)	(1,870,073)
Employee benefits expense	(3,212,562)	(379,154)	(1,041,240)	(4,632,956)
Depreciation and amortisation	(1,350,746)	(1,222,447)	(218,152)	(2,791,345)
Impairment of investment	-	-	(2,279,240)	(2,279,240)
Professional fees	(407,542)	(38,000)	(1,615,126)	(2,060,668)
Rent and outgoings	(242,347)	(28,602)	(78,549)	(349,498)
Share-based payment expense	(379,179)	(44,752)	(122,897)	(546,828)
Other expenses	(226,232)	-	(226,235)	(452,467)
Finance costs	(241,223)	(60,306)	(1,069,217)	(1,370,746)
Profit/(loss) before income tax	**510,061**	**(1,385,340)**	**(6,882,038)**	**(7,757,317)**
Income tax expense	-	-	1,046,235	1,046,235
Loss after income tax	**510,061**	**(1,385,340)**	**(5,835,803)**	**(6,711,082)**
Total segment assets	**15,606,759**	**5,298,464**	**2,286,355**	**23,191,578**
Total segment liabilities	**11,369,615**	**1,352,302**	**20,469,252**	**33,191,169**

5. Segment information (continued)

(b) Segment results (continued)

The segment information provided to the strategic steering committee for the reportable segments for the year ended 30 June 2019 is as follows:

2019	Wagering $	Fantasy and Online Gaming $	Other corporate $	Total $
Sales to external customers	12,808,547	1,270,233	-	14,078,780
Revenue from external customers	**12,808,547**	**1,270,233**	**-**	**14,078,780**
Other income	-	-	149,892	149,892
Government subsidiaries	-	586,671	-	586,671
Net foreign exchange gains/(losses)	-	-	-	9,346
Sporting taxes	(5,737,465)	(117,091)	-	(5,854,556)
Sport data and live feed expenses	(291,375)	(334,509)	-	(625,884)
IT expenses	(763,830)	(382,237)	(27,796)	(1,173,863)
Advertising and promotions	(1,544,424)	(213,837)	(410,800)	(2,169,061)
Employee benefits expense	(2,900,810)	(358,889)	(1,020,448)	(4,280,147)
Depreciation and amortisation	(1,125,426)	(1,141,853)	(201,313)	(2,468,592)
Impairment of investment	-	-	(4,117,788)	(4,117,788)
Professional fees	(314,413)	(55,913)	(2,582,659)	(2,952,985)
Rent and outgoings	(189,424)	(23,436)	(66,635)	(279,495)
Share-based payment expense	(164,430)	(20,343)	(57,844)	(242,617)
Other expenses	(365,565)	-	(365,564)	(731,129)
Finance costs	(251,034)	(63,200)	(548,201)	(862,435)
Profit/(loss) before income tax	**(830,303)**	**(854,404)**	**(9,271,898)**	**(10,956,605)**
Income tax expense	-	-	86,243	86,243
Loss after income tax	**(830,303)**	**(854,404)**	**(9,185,655)**	**(10,870,362)**
Total segment assets	**16,998,766**	**3,743,569**	**5,027,691**	**25,770,026**
Total segment liabilities	**7,046,093**	**1,231,906**	**23,510,453**	**31,788,453**

Major customer
There was no client who represented greater than 10% (2019: no customers represented greater than 10%) 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.

6. Revenue

	2020	2019
	$	$
Revenue	**17,452,677**	14,078,780
Total revenue from continuing operations	**17,452,677**	14,078,780

Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

The group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

2020	**Fantasy and Online Gaming**	**Total**
	$	**$**
Timing of revenue recognition		
At a point in time	**1,356,133**	**1,356,133**
Over time	**-**	**-**
	1,356,133	**1,356,133**

2019	**Fantasy and Online Gaming**	**Total**
	$	$
Timing of revenue recognition		
At a point in time	1,270,233	1,270,233
Over time	-	-
	1,270,233	1,270,233

Remaining revenue outside of AASB 15

	2020	**2019**
	$	**$**
	16,096,544	12,808,547
	16,096,544	12,808,547

7. Other Income

	2020 **$**	2019 $
Net foreign exchange gains/(losses)	**(11,460)**	(22,742)
Government subsidies	**399,831**	586,671
Other income	**(1)**	149,892
	388,370	713,821

In 2019, government subsidies are the research and development tax offset. The rebate is recognised at fair value, being the expected amount to be received. No balance recognised for the year ended 30 June 2020 in relation to this subsidy. The group have not assessed the research and development tax offset rebate for the year ending 30 June 2020 up until the signing date (refer to note 30 for further details).

In 2020, government subsidies are government assistance in form of the JobKeeper wage subsidy and cash flow boost in Australia. Refer to note 1(f) for further information on accounting for government grants.

8. Finance costs

	2020 **$**	2019 $
Finance income		
Interest income	**(44,997)**	(9,346)
Finance income	**(44,997)**	(9,346)
Finance costs		
Interest and finance charges paid/payable	**960,306**	475,436
Interest and finance charges paid/payable for lease liabilities	**9,848**	-
Bank charges	**339,128**	379,866
Interest paid to ATO	**61,464**	7,133
Finance costs expensed	**1,370,746**	862,435
Net finance costs	**1,325,749**	853,089

9. Depreciation and amortisation expenses

	2020 $	2019 $
Depreciation		
Right-of-use assets	**54,366**	-
Plant and equipment	**-**	5,026
Leasehold improvements	**17,022**	21,595
Office furniture and equipment	**10,629**	60,315
Motor vehicles	**22,667**	3,483
	104,684	90,419

	2020 $	2019 $
Amortisation		
Trademarks	**46,832**	47,496
Domain and social media	**66,637**	63,399
Client databases	**1,722,611**	1,717,898
Software development	**845,981**	544,780
Licences	**4,600**	4,600
	2,686,661	2,378,173
Total depreciation and amortisation	**2,791,345**	2,468,592

10. Income tax benefit

(a) Income tax benefit

	2020 **$**	2019 $
Deferred income tax		
(Decrease)/increase in deferred tax liabilities (note 25)	**(1,046,235)**	(86,243)
Income tax (benefit)	**(1,046,235)**	(86,243)

(b) Numerical reconciliation of income tax benefit to prima facie tax payable

	2020 **$**	2019 $
Loss from continuing operations before income tax expense	**(7,757,317)**	(10,956,605)
Tax at the Australian tax rate of 27.5% (2019 - 27.5%)	**(2,133,262)**	(3,013,066)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Amortisation of intangibles	**739,211**	653,998
Research and development expenditure	**-**	(52,634)
Capital raising costs/legal expenses not deductible	**55,827**	145,084
Shares based payments	**150,378**	66,720
Right-of-use assets	**14,951**	-
Other permanent differences	**1,075**	801,981
Under/over on intangibles of prior year	**(366,398)**	-
Adjustments for tax of prior periods	**(234,178)**	-
Movement in temporary differences not recognised	**726,161**	1,311,674
Income tax (benefit)	**(1,046,235)**	(86,243)

10. Income tax benefit (continued)

(c) Tax losses

	2020 $	2019 $
Unused tax losses for which no deferred tax asset has been recognised	**14,642,949**	12,776,391
Potential tax benefit @ 27.5%	**4,026,811**	3,513,508

	2020 $	2019 $
Unrecognised temporary differences		
Blackhole expenditure	**29,729**	-
Temporary differences in provisions	**235,629**	227,896
Right-of-use liability	**47,385**	-
Other movements not accounted for	**-**	(60,683)
Trademarks and licenses	**136,466**	121,943
Investment in playchips	**1,759,183**	1,132,392
	2,208,392	1,482,230

11. Cash and cash equivalents

	2020 $	2019 $
Cash in hand	**4**	405
Deposits	**3,910,150**	406,987
Cash at bank	**1,088,907**	5,259,825
	4,999,061	5,667,217

Two term deposits held are for bank guarantees with Northern Territory Government('NT') licence as security for wagering licence. Refer to note 30 for further details.

12. Trade receivables

	2020 Current $	2020 Non-current $	2020 Total $	2019 Current $	2019 Non-current $	2019 Total $
Trade receivables	**4,103**	**-**	**4,103**	36,469	-	36,469

Information as to the group's credit policies and debtors aging is presented in note 3(b).

13. Other financial assets at amortised cost

	2020 Current $	2020 Non-current $	2020 Total $	2019 Current $	2019 Non-current $	2019 Total $
Loans to related parties	**-**	**-**	**-**	-	17,929	17,929
Research and development refundable tax offset	**586,671**	**-**	**586,671**	586,671	-	586,671
Other receivables	**140,889**	**-**	**140,889**	35,466	-	35,466
	727,560	**-**	**727,560**	622,137	17,929	640,066

The related party loan of $17,929 in 2019 owned by a company owned by Wizer Pty Ltd was paid off during the reporting period 2020. This loan was paid by offsetting the amount from the loan balance of Wizer Pty Ltd to PlayUp Limited. Please refer to note 32 for further details.

14. Other financial assets

	2020	2019
	$	$
Current assets		
Playchips	**1,330,376**	1,585,657
Betback account	**101,252**	132,808
	1,431,628	1,718,465

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 financial year are set out below:

	2020	2019
	$	$
Playchips		
Opening fair value	**1,585,657**	-
Additions	**2,023,959**	5,703,445
Revaluation decrement	**(2,279,240)**	(4,117,788)
Closing fair value	**1,330,376**	**1,585,657**

15. Other current assets

	2020	2019
	$	$
Current assets		
Prepayments	**-**	72,642
Retainers and rental bonds	**79,126**	92,183
Accrued income	**-**	4,096
	79,126	168,921

16. Investments accounted for using the equity method

	2020	2019
	$	$
Non-current assets		
Shares in associates		
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
	90	91

17. Property, plant and equipment

Non-current	**Plant and equipment**	**Office furniture and equipment**	**Motor vehicles**	**Leasehold improvements**	**Total**
	$	**$**	**$**	**$**	**$**
Year ended 30 June 2019					
Opening net book amount	-	37,097	-	2,094	39,191
Additions	5,026	23,226	94,152	139,481	261,885
Depreciation charge	(5,026)	(60,315)	(3,483)	(21,595)	(90,419)
Closing net book amount	**-**	**8**	**90,669**	**119,980**	**210,657**
At 30 June 2019					
Cost	17,780	64,329	94,152	141,575	317,836
Accumulated depreciation	(17,780)	(64,321)	(3,483)	(21,595)	(107,179)
Net book amount	**-**	**8**	**90,669**	**119,980**	**210,657**
Year ended 30 June 2020					
Opening net book amount	-	8	90,669	119,980	210,657
Additions	-	10,629	-	-	10,629
Depreciation charge	-	(10,629)	(22,667)	(17,022)	(50,318)
Closing net book amount	**-**	**8**	**68,002**	**102,958**	**170,968**
At 30 June 2020					
Cost	52,652	9,303	94,152	139,481	295,588
Accumulated depreciation	(52,652)	(9,295)	(26,150)	(36,523)	(124,620)
Net book amount	**-**	**8**	**68,002**	**102,958**	**170,968**

18. Leases

(a) Amounts recognised in the balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	30 June 2020	1 July 2019
	$	$
Right-of-use assets		
Office space		
Non-current	**163,097**	217,463
	163,097	217,463
Lease liabilities		
Current	**51,657**	45,153
Non-current	**120,653**	172,310
	172,310	217,463

Additions to the right-of-use assets during the 2020 financial year were $nil.

(b) Amounts recognised in the statement of profit or loss

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2020	2019
	$	$
Depreciation charge of right-of-use assets		
Lease liability	**54,366**	-
	54,366	-
Interest expense (included in finance cost)	**9,848**	-
Expense relating to short-term leases (included in rent and outgoings expenses)	**240,552**	-

The total cash outflow for operating leases in 2020 was $240,552

The total cash outflow for finance leases in 2020 was $55,000

19. Non-current assets - Intangible assets

	Goodwill $	Trademarks $	Software development $	Licences $	Client databases $	Domains and social media $	Total $
Year ended 30 June 2019							
Opening net book amount	7,670,785	250,942	1,876,786	14,770	8,314,704	297,537	18,425,524
Additions	-	-	953,395	-	40,000	46,429	1,039,824
Amortisation charge	-	(47,496)	(544,780)	(4,600)	(1,717,898)	(63,399)	(2,378,173)
Closing net book amount	**7,670,785**	**203,446**	**2,285,401**	**10,170**	**6,636,806**	**280,567**	**17,087,175**
At 30 June 2019							
Cost	10,336,959	332,470	3,100,831	23,000	8,613,054	445,903	22,852,217
Accumulated amortisation and impairment	(2,666,174)	(129,024)	(815,430)	(12,830)	(1,976,248)	(165,336)	(5,765,042)
Net book amount	**7,670,785**	**203,446**	**2,285,401**	**10,170**	**6,636,806**	**280,567**	**17,087,175**
Year ended 30 June 2020							
Opening net book amount	7,670,785	203,446	2,285,401	10,170	6,636,806	280,567	17,087,175
Additions	-	-	979,386	-	-	-	979,386
Amortisation charge	-	(46,832)	(845,982)	(4,600)	(1,722,611)	(66,636)	(2,686,661)
Closing net book amount	**7,670,785**	**156,614**	**2,418,805**	**5,570**	**4,914,195**	**213,931**	**15,379,900**
At 30 June 2020							
Cost	10,336,959	332,470	4,080,217	23,000	8,613,054	445,903	23,831,603
Accumulated amortisation and impairment	(2,666,174)	(175,856)	(1,661,412)	(17,430)	(3,698,859)	(231,972)	(8,451,703)
Net book amount	**7,670,785**	**156,614**	**2,418,805**	**5,570**	**4,914,195**	**213,931**	**15,379,900**

19. Non-current assets - Intangible assets (continued)

(a) Impairment tests for goodwill

Goodwill is tested in every reporting 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):

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 wagering is derived from accepted client bets less winnings paid out. The net gain or loss from wagering activities over a specific period represents the revenue earned during that period. Customer promotions such as free bets and bonuses are deducted from revenue.

	2020 $	2019 $
Carrying value	**5,406,202**	4,246,864
Recoverable amount	**22,217,793**	20,890,278
Goodwill before impairment	**7,670,785**	7,670,785
Impairment	**-**	-

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.

	2020 $	2019 $
Carrying value	**2,611,524**	2,688,294
Recoverable amount	**6,396,492**	5,009,064
Impairment	**-**	-

19. Non-current assets – Intangible assets (continued)

(a) Impairment tests for goodwill

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. Customer promotion such as free bets and bonuses are deducted from revenue.

	2020	2019
	$	$
Carrying value	**2,666,174**	2,666,174
Recoverable amount	**-**	-
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 14% (2019: 18.5%)
- terminal value is calculated using a perpetual growth rate of 3.2% (2019: 3%)
- revenue growth in line with management's expectation, being;
    - Wagering 36% (2019: 28%)
    - Daily Fantasy Sports 48% (2019: 40%)

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

19. Non-current assets - Intangible assets (continued)

(b) 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

- Cash-flow generated would need to decrease by 22.5% year on year in the cashflow modelling before goodwill in relation to the wagering business acquisitions would become impaired, with all other assumptions remaining constant.
- the pre-tax discount rate to 39% in the cashflow modelling before goodwill in relation to the wagering business would become impaired, with all other assumptions remaining constant.
- Perpetual growth rate would need to be reduced to negative in the cashflow modelling before goodwill in relation to the wagering business would become impaired, with all other assumptions remaining constant.

Fantasy

- Cash-flow generated would need to increase by 16% year on year in the cashflow modelling at a minimum to maintain a recoverable value higher than the carrying value of the CGU with all other assumptions remaining constant.
- the pretax discount rate to 26% in the cashflow modelling before carrying value of the CGU in relation to the fantasy business would become impaired, with all other assumptions remaining constant.
- Perpetual growth rate would need to be reduced to negative in the cashflow modelling before carrying value of the CGU in relation to the fantasy business 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 the CGU's is based would not cause the recoverable amount to fall below the carrying amount.

20. Trade and other payables

	2020			2019		
	Current $	**Non-current $**	**Total $**	Current $	Non-current $	Total $
Trade payables	**4,876,804**	**-**	**4,876,804**	5,188,121	-	5,188,121
GST payable	**364,734**	**-**	**364,734**	49,179	-	49,179
Accrued expenses	**474,503**	**-**	**474,503**	794,639	-	794,639
Player funds accounts	**4,064,997**	**-**	**4,064,997**	5,840,517	-	5,840,517
Player withdrawals pending	**21,515**	**-**	**21,515**	264,546	-	264,546
Credit card liability	**47,285**	**-**	**47,285**	47,483	-	47,483
Instalment activity payable for previously owned subsidiaries	**236,045**	**-**	**236,045**	236,045	-	236,045
Deferred consideration liability						
Sportopia Group Pty Ltd	**27,006**	**-**	**27,006**	33,936	-	33,936
Classic Bet Pty Ltd	**-**	**-**	**-**	825,000	-	825,000
Other payables						
Pay As You Go withholding payable	**1,227,264**	**-**	**1,227,264**	140,535	-	140,535
Superannuation payable	**80,018**	**-**	**80,018**	141,313	-	141,313
	11,420,171	**-**	**11,420,171**	13,561,314	-	13,561,314

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

Deferred consideration liability

Deferred consideration liabilities relate to the acquisition of businesses during the 2018 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 $27,006 at 30 June 2020 (2019: $858,936).

21. Borrowings

	2020			2019		
	Current	**Non-current**	**Total**	Current	Non-current	Total
	$	**$**	**$**	$	$	$
Secured						
Investorlink Securities (vi)	**606,390**	**-**	**606,390**	556,000	-	556,000
Wizer Unit Trust (i)	**8,971,745**	**-**	**8,971,745**	-	10,470,736	10,470,736
Total secured borrowings	**9,578,135**	**-**	**9,578,135**	556,000	10,470,736	11,026,736
Unsecured						
Loans from directors	**950**	**-**	**950**	1,333	-	1,333
Everwise Ventures Limited (vii)	**2,268,158**	**-**	**2,268,158**	-	-	-
Loan from employee (ii)	**27,000**	**-**	**27,000**	25,000	-	25,000
Sapsford Investment Trust (iii)	**3,533,796**	**-**	**3,533,796**	-	-	-
Playchip Foundation Limited (iv)	**4,415,900**	**-**	**4,415,900**	-	4,415,900	4,415,900
Loans from other parties (v)	**189,320**	**-**	**189,320**	232,320	-	232,320
Total unsecured borrowings	**10,435,124**	**-**	**10,435,124**	258,653	4,415,900	4,674,553
Total borrowings	**20,013,259**	**-**	**20,013,259**	814,653	14,886,636	15,701,289

(i) Wizer Unit Trust

The group's loan from related parties-borrowings with Wizer Unit Trust is a carried forward arrangement of cash flow funding 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 31 August 2020. The lender had 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 32 for related party disclosure on this loan. Option of conversion was extended for another 3 months from 30 June 2020 and the transaction was processed subsequent to the financial year ended 30 June 2020. Please refer to note 36 Events occurring after the reporting period. There are no additional charges outstanding on this loan after conversion.

21. Borrowings (continued)

(ii) Loan from employee

The group held an unsecured loan from a key employee, Paul Jeronimo. The interest rate is nil on this loan and it was due to be payable by 30 June 2020. The lender had 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 was payable and added to the loan amount on 30 June 2020. Please refer to note 32 for related party disclosure on this loan. Option of conversion was extended for another 3 months from 30 June 2020 and the transaction was processed subsequent to the financial year ended 30 June 2020. Please refer to note 36 Events occurring after the reporting period. There are no additional charges outstanding on this loan after conversion.

(iii) Sapsford Investment Trust

The group held an unsecured related party loan from Sapsford Investment Trust. These funds are invested in an investment trust which earns a variable interest which is usually around 8.2% paid to the group on monthly basis. The interest paid to the lender equate to the monthly distribution to the group by the investment trust. This loan will become due and payable in full on 30th June 2021. Please refer to note 32 for related party disclosure on this loan.

(iv) Playchip Foundation Limited

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 was 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 32 for related party disclosure on this loan. The conversion transaction was processed subsequent to the financial year ended 30 June 2020. Please refer to note 36 Events occurring after the reporting period. There are no additional charges outstanding on this loan after conversion.

21. Borrowings (continued)

(v) Loan from other parties

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 it was due to be payable by 30 June 2020 with an option to extend the repayment for another 12 months. The option of 12 months extension for repayment was taken on this loan.

The group held an unsecured loan from Vassiliki Nicalolaou. The interest rate is nil on this loan and it was due to be payable by 30 June 2020. The lender had 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 was payable and added to the loan amount on 30 June 2020. Option of conversion was extended for another 3 months from 30 June 2020 and the transaction was processed subsequent to the financial year ended 30 June 2020. Please refer to note 36 Events occurring after the reporting period. There are no additional charges outstanding on this loan after conversion.

(vi) Investorlink Securities

The group held 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 30 November 2018 and it was due to be payable on 30 November 2019. The directors have successfully negotiated with the lender on the conversion of this debt to ordinary shares in group. Option of conversion was extended upto 30 Sep 2020 and the transaction was processed subsequent to the financial year ended 30 June 2020. Please refer to note 36 Events occurring after the reporting period. There are no additional charges outstanding on this loan after conversion.

(vii) Everwise Ventures limited

A part of the group's loan from Wizer Unit trust was transferred to Everwise Ventures Limited through a deed of assignment between the two entities. The interest rate is nil on this loan, and it was due to be payable by 30 June 2020. The lender had an option of converting outstanding balance 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*. Option of conversion was extended for another 3 months from 30 June 2020 and the transaction was processed subsequent to the financial year ended 30 June 2020. Please refer to note 36 Events occurring after the reporting period. There are no additional charges outstanding on this loan after conversion.

22. Other financial liabilities

	2020 Current $	**2020** Non-current $	**2020** Total $	2019 Current $	2019 Non-current $	2019 Total $
Player unresulted bets	**81,702**	**-**	**81,702**	91,743	-	91,743
Other financial liabilities	**31,444**	**26,153**	**57,597**	60	88,921	88,981
	113,146	**26,153**	**139,299**	91,803	88,921	180,724

23. Provisions

	2020 Current $	**2020** Non-current $	**2020** Total $	2019 Current $	2019 Non-current $	2019 Total $
Make good provision	**-**	**21,475**	**21,475**	-	-	-

Make good provision

PlayUp Limited is required to restore the leased premises of its customer care office to its original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease and the useful life of the assets.

2020	**Make good provision $**
Carrying amount at start of year	-
Charged/(credited) to profit or loss	-
- additional provisions recognised	21,475
Carrying amount at end of year	21,475

24. Employee benefit obligations

	2020			2019		
	Current $	**Non-current $**	**Total $**	Current $	Non-current $	Total $
Annual leave	**482,315**	**-**	**482,315**	343,943	-	343,943
Long service leave	**-**	**34,033**	**34,033**	-	46,641	46,641
Total employee benefit obligations	**482,315**	**34,033**	**516,348**	343,943	46,641	390,584

(a) Leave obligation

The current provision for employees includes all of the accrued annual leave. The entire amount is presented as current, since the consolidated does not have an unconditional right to defer settlement. However, based on experience, the group does not expect all employees to take the full amount of accrued leave or require payments within the next 12 months. Generally, the employees take up to 4 weeks of annual leave in a 12 months period for which the total amount of expected obligation to be fulfilled is $232,368.

25. Deferred tax liabilities

	2020 $	2019 $
The balance comprises temporary differences attributable to:		
Intangible assets	**863.455**	1,954,542
Right-of-use assets	**44,852**	-
	908,307	1,954,542

Movements	**Intangible assets $**	**Right-of-use assets $**	**Total $**
	2,040,785	-	2,040,785
At 1 July 2018			
Charged/(credited)			
- profit or loss	(86,243)	-	(86,243)
At 30 June 2019	1,954,542	-	1,954,542
At 1 July 2019	1,954,542	-	1,954,542
Charged/(credited)			
- profit or loss	(1,091,087)	44,852	(1,046,235)
At 30 June 2020	863,455	44,852	908,307

26. Contributed equity

(a) Share capital

	2020 Shares	2019 Shares	**2020 $**	2019 $
Ordinary shares				
Ordinary Class Shares @ $1.00	**1**	1	**1**	1
Ordinary Class Shares @ $0.0001	**319,175,233**	319,175,233	**31,918**	31,918
Ordinary Class Shares @ $0.1030	**22,107,786**	22,107,786	**2,277,102**	2,277,102
Ordinary Class Shares @ $0.1060	**71,869,060**	71,869,060	**7,618,120**	7,618,120
Ordinary Class Shares @ $0.05	**1,100,000**	1,100,000	**55,000**	55,000
Ordinary Class Shares @ $0.1567	**72,957,720**	59,022,777	**11,431,111**	9,248,021
	487,209,800	473,274,857	**21,413,252**	19,230,162

(b) Movements in ordinary shares:

Details	**Number of shares**	**Total $**
Opening balance 1 July 2018	414,252,080	9,982,141
Movement in ordinary class shares@$0.1567	59,022,777	9,248,021
Balance 30 June 2019	473,274,857	19,230,162
Opening balance 1 July 2019	473,274,857	19,230,162
Movement in ordinary class shares@$0.1567	13,934,943	2,183,090
Balance 30 June 2020	487,209,800	21,413,252
Details of ordinary share movement		
Ordinary shares issue in exchange for PlayChips (i)	12,916,101	2,023,437
Ordinary shares issue for debt capitalisation (ii)	699,761	109,653
Ordinary shares issue (iii)	319,081	50,000
	13,934,943	2,183,090

(i) The group issued ordinary shares in exchange of the PlayChips as a mode of settlement.

(ii) The group issued ordinary shares in order to capitalise some debts owed to the creditors.

(iii) The group raised funds in the ordinary share issue for general working capital purposes.

26. Contributed Equity (continued)

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and on a poll each share is entitled to one vote.

Ordinary shares have no par value and there is a limited amount of authorised capital which is the issued capital of the company in the reporting period.

(d) 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.

(e) Compliance with loan covenants

The group is not subject to any financing arrangement covenants.

27. Other reserves and accumulated losses

(a) Other reserves

The following table shows a breakdown of the consolidated balance sheet line item 'other reserves' and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	2020 $	2019 $
Share-based payments	**1,189,807**	642,979
Reorganisation reserves	**1,538,919**	1,538,919
	2,728,726	2,181,898

	2020 $	2019 $
Movements:		
Reorganisation reserve		
Opening balance	**1,538,919**	1,538,919
Balance 30 June 2020	**1,538,919**	1,538,919
Share-based payments		
Opening balance	**642,979**	400,362
Employee share plan expense	**546,828**	242,617
Balance 30 June 2020	**1,189,807**	642,979

(i) Nature and purpose of other reserves

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.

27. Other reserves and accumulated losses (continued)

(a) Other reserves (continued)

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of shares issued to employees
- the grant date fair value of deferred shares granted to employees but not yet vested

Please refer to note 38 for more information on Share-based payments.

(b) Accumulated losses

Movements in accumulated losses were as follows:

	2020 **$**	2019 $
Balance 1 July	**(27,430,487)**	(16,560,125)
Net (loss) for the year	**(6,711,082)**	(10,870,362)
Balance 30 June	**(34,141,569)**	(27,430,487)

28. Dividends

(a) Franked dividends

	Consolidated entity	
	2020 **$**	2019 $
Franking credits available for subsequent reporting periods based on a tax rate of 27.5% (2019 - 27.5%)	**1,100**	1,100

The above amounts are calculated from the balance of the franking account as at the end of the reporting year, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

(b) 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

29. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, PlayUp Limited, its related practices and non-related audit firms:

(a) UHY Haines Norton

(i) Audit and other assurance services

	2020 $	2019 $
Audit of financial report	**106,000**	65,000
Other assurance services		
Adjustment of previous years fee	**45,000**	-
Total remuneration for audit and other assurance services	**151,000**	65,000

30. Contingencies

The group had contingent liabilities at 30 June 2020 in respect of:

(i) Guarantees

The group has given two bank guarantees of $200,000 (2019: $400,000) each, total amount of $400,000 to the Northern Territory Government as security for its wagering licences held.

(ii) Deferred payment adjustment

Fanma (formerly Playup Australia) made adjustment of $113,865 (2019: $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.

(iii) Dispute with client

In February 2020, a claim was lodged with Northern Territory Racing Commission (NTRC) against PlayUp Interactive Pty Ltd asserting that the entity had breached its obligations in regard to responsible service of gambling. The matter is currently being considered by the Northern Territory Racing Commission (NTRC). The group considers the potential undiscounted amount of the total payments that the group could be required to make if there was an adverse decision related to the claim is $965,959.

30. Contingencies (continued)

(iv) Legal disputes

a) Fanma Pty Ltd (formerly PlayUp Australia Pty ltd) purchased A.C.N 167 422 406 Pty Ltd (formerly Classic Bet (NSW) Pty Ltd), A.C.N 607 108 645 Pty Ltd (formerly Best Bet (NSW) Pty Ltd) in the financial year 2018. The sale and purchase agreement included vendors warranties.

Fanma contends that the vendors (Ryan Kay and Alex Kay) breached their warranties by failing to disclose an affiliation program agreement with KRM (Vic) Pty Ltd. KRM claimed the amount owed to them under the affiliation programme and orders were made by the court on the 9th September 2019 requiring Ryan Kay, A.C.N 167 422 406 Pty Ltd and A.C.N 607 108 645 Pty Ltd to pay KRM the sum of $3,684,690.98 plus KRM's legal cost. Its is to be noted that Fanma is not a party to the proceedings with KRM (ViC) Pty Ltd.

The vendors failed to disclose the affiliation program to Fanma and therefore breached their vendors warranty. This matter is listed for further directions on 6th November 2020 . If Fanma is not successful, A.C.N 167 422 406 Pty Ltd and A.C.N 607 108 645 Pty Ltd will be liable to pay their share of the order made on 9th September,2019. The court has not specified the breakdown of the order made against Ryan Kay, A.C.N 167 422 406 Pty Ltd and A.C.N 607 108 645 Pty Ltd.

Fanma and Ryan Kay have previous legal proceedings in the Supreme Court of NSW which the court found in favour of Fanma and orders were made for Ryan Kay to pay 80% of the legal costs and disbursements incurred by Fanma, which are approximately $500,000. The final amount of this contingent asset for these costs and disbursements are yet to be agreed upon and assessed.

Fanma sold A.C.N 167 422 406 Pty Ltd and A.C.N 607 108 645 Pty Ltd on 30th June 2019 and these companies do not form part of the consolidated group in the reporting period.

b) Fan Technologies Pty Ltd was one of two parties in a services contract "The provision of services for PlayChip Endorsement" executed on 19 Dec 2018 with Robert Whittaker, a Mixed Martial Arts professional athlete. The contract provided a list of services to be provided, however Robert was injured on the eve of a professional fight in February and was unable to complete the services. Remuneration under the contract was PlayChips equal to $350,000 USD. Robert Whittaker is claiming damages against the contract in the Supreme Court of NSW against PlayChip Foundation Limited, not Fan Technologies. The group is unable to quantify any liability to Fan Technologies, if any.

30. Contingencies (continued)

(v) Research and Development Tax incentive

The group perform various Research and Development activities to develop new knowledge, innovation and enhancement of its existing software's and technologies. For some of these activities the group may be eligible for a R&D Tax incentive from the Australian taxation Office, which will help to offset some of the cost the group put into these R&D activities. As of the signing date the group estimates the total research and development spend to these activities to be approximately $979,000 for which the group may be eligible to claim a refundable tax offset of 43.5% from the Australian Taxation Office of the total R&D spend. The group has not assessed the final amount of this contingent asset on the signing date.

31. Commitments

(a) Lease commitments

(i) Non-cancellable operating leases

From 1 July 2019, the group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 2 and note 18 for further information.

	2020	2019
	$	$
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**59,125**	85,940
Later than one year but not later than five years	**-**	60,500
	59,125	146,440

(ii) Other commitments

Other commitments include amounts related to sports data and live feeds and brand ambassadors. Included in 2020 are short term leases which end within 12 months and there is no commitments to renew them.

	2020	2019
	$	$
Contractual obligation for other activities - not recognised as a liability:		
Within one year	**572,855**	1,234,631
Later than one year but not later than five years	**140,000**	68,125
Minimum other commitments	**712,855**	1,302,756

32. Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 33(a).

(b) Key management personnel compensation

	2020	2019
	$	$
		1,07
Short-term employee benefits	**1,158,564**	6,919
Long-term employee benefit	**6717**	4,657
Post-employment benefits	**105,952**	79,745
Share-based payments	**297,017**	222,272
Total key management personnel compensation	**1,568,250**	1,383,593

Key management persons consist of all C-Level executives in the group. In addition to the above, certain key personnel received payments directly or indirectly as disclosed in note below. There is a pro-rata allocation of compensation for the time at the office for any C-Level executive which have joined or left the organisation during the reporting year.

(c) Transactions with other related parties

(i) Purchases from entities controlled by key management personnel

Pursuant to a short-term rental agreement with Next Security Pty Ltd, rent of $227,382 (2019: $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.

Pursuant to a short-term rental agreement with Next Security Pty Ltd, rental outgoings of $30,160 (2019: $nil) 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.

Amount of $9,064 was paid to New Era Electrical Services Pty Ltd, for the services of repair of the electrical fittings in the PlayUp's office. New Era is a related entity to Daniel Simic.

The group paid a sum of $32,868 on behalf of Daniel Simic for his accommodation, the group has also accrued a fringe benefit expenses of $14,791 to be paid to the Australian Taxation Office for this expense.

Pursuant to a short-term rental agreement dated 1 July 2019 with Toumi Pty Ltd, rental outgoings of $10,816 (2019: $nil) was paid to Toumi Pty Ltd, which is a related entity to Ryan Bowman.

32. Related party transactions (continued)

(c) Transactions with other related parties (continued)

(i) Purchases from entities controlled by key management personnel (continued)

Amount of $46,951 is owed to DNS Assets Pty Ltd which is a related party to Daniel Simic. This debt was capitalised to ordinary shares in the group subsequent to 30 June 2020. Please refer to note 36 for further information.

Amount of $10,500 was paid to Next Security Pty Ltd for the supply of comprehensive motor vehicle insurance for the vehicles owned by the group. This was done to get a competitive pricing due to a higher volume.

(d) Loans to/from related parties

	2020	2019
	$	$
Receivables		
Fantasy Sports USA Inc	**-**	17,929

In financial year 2019, loan payable existed by the group to Fantasy Sports USA Inc., 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 Saps ford Financial Services Pty Ltd A TF Sapsford Investment Trust.

The loan from Fantasy Sports USA Inc was paid off by the reduction of loan owed by the group to Wizer Pty ltd during the year 2020.

	2020	2019
	$	$
Payables		
Wizer Pty Ltd ATF Wizer Unit Trust	**(8,971,745)**	(10,470,736)
PlayChip Foundation Limited	**(4,415,900)**	(4,415,900)
Key management personal	**(27,950)**	(26,333)
Sapsford Investments Trust	**(3,533,796)**	-

An unsecured loan of $25,000 exist from a key management personal Paul Jeronimo to PlayUp Limited, the loan balance is inclusive of a fixed fee of $2,00 accrued and unpaid in financial year 2020. Please refer to note 21 Borrowings and note 36 Events occurring after the reporting period for further details.

32. Related party transactions (continued)

(d) Loans to/from related parties (continued)

An unsecured loan of $950 exist from a key management personal Daniel Simic to PlayUp Limited, there are no interest or charges applicable to this loan.

A secured loan from 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 A TF Sapsford Investment Trust. The loan balance is inclusive of interest accrued during the year for $868,195. Please refer to note 21 Borrowings and note 36 Events occurring after the reporting period for further details.

	2020	2019
	$	$
Movement of Wizer Unit Trust		
Beginning of the year	**10,470,736**	3,843,652
Cash advanced	**306,000**	7,510,801
Loan repayments made	**(405,029)**	(1,238,700)
Interest charged	**868,195**	354,983
Amount assigned to non-related party	**(2,268,157)**	-
End of year	**8,971,745**	10,470,736

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. Please refer to note 21 Borrowings and note 36 Events occurring after the reporting period for further details.

An unsecured related party loan from Sapsford Investment Trust, which is a related entity to Richard Sapsford. The interest accrued and unpaid during the year on this loan is $33,796. Please refer to note 21 for further details.

33. Interests in other entities

(a) Material subsidiaries

The group's principal subsidiaries at 30 June 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group	
		2020	2019
		%	%
Interest in wholly controlled subsidiaries			
Fantigma Pty Ltd	Australia	**100.00**	100.00
Playup Australia Pty Ltd (formerly called Fan Central Pty Ltd)	Australia	**100.00**	100.00
Fanma Pty Ltd (formerly called Playup Australia Pty Ltd)	Australia	**100.00**	100.00
Playup Interactive Pty Ltd	Australia	**100.00**	100.00
Topbetta Pty Ltd	Australia	**100.00**	100.00
Fan Technologies Pty Ltd	Australia	**100.00**	100.00
Sportopia Group Pty Ltd	Australia	**100.00**	100.00
Playup Digital Pty Ltd	Australia	**100.00**	100.00
Amatuer Golf Challenge Pty Ltd	Australia	**100.00**	100.00
Tip2Win Pty Ltd	Australia	**100.00**	100.00
Fan Media Pty Ltd	Australia	**100.00**	100.00
Fantasy Centre Pty Ltd	Australia	**-**	100.00
Fantasy Studio India Pvt Ltd	India	**99.99**	99.99
Playup Inc	United States	**100.00**	-
Playup Interactive Inc	United States	**100.00**	-
Interest in associated entities			
Starcoach Sports Digital Pty Ltd	Australia	**50.00**	50.00
Social Figures Global Pty Ltd	Australia	**33.33**	33.33

34. Cash flow information

Reconciliation of profit after income tax to net cash inflow from operating activities

	2020 **$**	2019 $
Loss for the year	**(6,711,802)**	(10,870,362)
Adjustments for:		
Depreciation and amortisation	**2,791,345**	2,468,592
Non-cash employee benefits expense - share-based payments	**546,828**	242,617
Impairment of investment	**2,279,240**	4,117,788
Other	**1**	(18,880)
Finance costs	**1,031,618**	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	**32,366**	(13,375)
(Increase) in other financial assets	**(105,423)**	(15,469)
Decrease in current tax assets	**4,920**	568
Decrease/(increase) in other assets	**89,795**	(124,464)
(Decrease)/increase in trade and other payables	**(1,319,253)**	3,314,284
(Decrease) in deferred tax liabilities	**(1,046,235)**	(86,243)
Increase in other provisions	**147,239**	51,306
Net cash outflow from operating activities	**(2,258,641)**	(933,638)

35. COVID-19 impact

The COVID-19 outbreak was declared a pandemic by the World Health Organisation in March 2020. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community and the economy. Following the COVID-19 outbreak, the group has continued its operation with minimal disruption and as a result, there has not been a significant impact on the group for the year ended 30 June 2020. However, the situation is unprecedented and we will continue to pay close attention to the potential implications of the pandemic and the impact on operations, which may include disruptions to the supply chain and availability of employees.

36. Events occurring after the reporting period

Events arise since 30 June 2020 that has significantly affected the group's operation were as follows.

(a) Share consolidation

Pursuant to section 254H of the *Corporations Act*, Rule 2.7 of the company's Constitution, and for all other purposes, the issued capital of the company was consolidated on the basis that every thirty-five (35) shares be consolidated into one (1) share on 13 August 2020.

The following table details the number of shares on issue and the value of the shares immediately pre and post consolidation.

	Number of shares on issue
Pre-consolidation	487,209,800
Post-consolidation	13,920,280

The consolidation also reduced the number of PlayUp options on issue, in the same ratio as the total number of shares, such that the total number of options on issue decreased from 33,803,807 to 965,834. The total number of shares to be issued if all options are exercised decreased from 33,803,807 to 965,834.

(b) Entitlement offer

The company conducted a partially underwritten non-renounceable pro rata offer of new shares to eligible shareholders. The total funds raised under the entitlement offer is $25,384,703. This offer was completed on 30 September 2020. The total number of new shares issued as part of the offer was 8,844,849.

The total funds raised in the entitlement offer also include a number of eligible shareholders who capitalised the debt owing to them from the company in consideration for the take up of their entitlement, additional shares and under the sub-underwriting arrangement. The debt which was capitalised is in the table below:

36. Events occurring after the reporting period (continued)

Shareholder	Debt capitalised to equity
Wizer Pty Ltd ATF Wizer Unit Trust	$8,971,745.00
Ever Wise Ventures Limited*	$3,210,753.00
PlayChip Foundation Limited	$4,415,900.00
Paul Jeronimo	$27,000.00
Vassiliki Nicolau	$52,000.00
Investorlink Securities Limited	$606,390.00
Dr Laila Mintas**	$407,616.00
DNS Assets Pty Ltd***	$46,951.00
Total	**$17,738,355.00**

The above debt capitalisation is inclusive of any interest or charges applicable to these debts.

Please refer to note 21 Borrowings of the financial statement for further information.

* $942,595 of the total debt owed to Ever Wise Ventures Ltd is included in trade payables for their services provided to the group.

** Dr Laila Mintas was a non-executive director in financial year 2020 and this amount is related to a debt incurred after 30 June 2020, therefore not in the liabilities of the group as of the period ending 30 June 2020.

*** Debt owed to DNS Assets Pty Ltd is included in trade payables, please refer to note 32 for further information.

(c) Subsequent to year end and at the date of signing the report, the value of PlayChips under note 14 other financials assets has decreased by $131,000. The valuation was based on the average closing price for 30 days of PlayChips on coinmarketcap (Note 14) prior to signing date of financial statements.

37. Earnings per share

(a) Basic earnings per share

	2020 Cents	2019 Cents
Total basic earnings per share attributable to the ordinary equity holders of the company	**(.014)**	(.026)

(b) Diluted earnings per share

	2020 Cents	2019 Cents
Total diluted earnings per share attributable to the ordinary equity holders of the company	**(.013)**	(.024)

(c) Reconciliations of earnings used in calculating earnings per share

	2020 $	2019 $
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share: From continuing operations	**(6,711,082)**	(10,870,362)

(d) Weighted average number of shares used as the denominator

	2020 Number	2019 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**474,733,365**	423,694,863
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**506,416,010**	448,937,961

37. Earnings per share (continued)

(e) Information concerning the classification of securities

(i) Partly paid ordinary shares

Partly paid ordinary shares carry the right to participate in dividends in proportion to the amount paid relative to the total issue price. To that extent they have been recognised as ordinary share equivalents in the determination of basic earnings per share. Amounts uncalled on partly paid shares and calls in arrears are treated as the equivalent of options to acquire ordinary shares and are included as potential ordinary shares in the determination of diluted earnings per share. The company does not have any partly paid ordinary shares in the reporting period.

(ii) Options

Options granted to employees under the Employee Option Plan or otherwise are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 38.

38. Share-based payments

(a) Employee Option Plan

The group 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.

Set out below are summaries of options granted under the plan:

	Tranche				Life of option	**2020**		2019	
Tranche #	**No. of options**	**valuation ($)**	**Issue date**	**Expiry date**	**(Days)**	**Days**	**Expense ($)**	**Days**	**Expense ($)**
1	16,886,791	889,833	1/12/2017	1/12/2020	1,096	**366**	**263,951**	365	296,341
1	(1,886,792)	(99,423)	1/12/2017	Cancelled	-	**-**	**(52,251)**		
2	4,245,283	213,858	16/04/2018	31/12/2020	990	**366**	**79,063**	365	(128,653)
3	1,886,792	99,423	2/05/2018	2/05/2021	1,096	**366**	**33,201**	365	33,111
4	1,886,792	99,423	30/06/2018	30/06/2021	1,096	**366**	**33,201**	365	33,111
5	638,162	49,711	20/12/2018	20/12/2021	1,096	**366**	**16,601**	192	8,707
6	11,104,020	855,622	30/10/2019	30/10/2022	1,096	**244**	**190,485**	-	-
6	(957,243)	(78,258)	30/10/2019	Cancelled	-	**244**	**(17,422)**	-	-
Total	**33,803,806**	**2,030,189**					**546,828**		**242,617**

38. Share-based payments (continued)

(b) Fair value of options granted

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 $0.122 (2019: $0.107). 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
6	$0.157	$0.157	79.8%	0%	1.50%	$0.0818

The weighted average remaining contractual life of options outstanding at 30 June 2020 was 1.08 years (2019: 1.59 years)

39. Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity, PlayUp Limited, show the following aggregate amounts:

	2020	2019
	$	$
Balance sheet		
Current assets	**23,639,185**	23,788,250
Non-current assets	**1,257,904**	1,253,620
Total assets	**24,897,089**	25,041,870
Current liabilities	**11,925,291**	-
Non-current liabilities	**908,307**	13,006,278
Total liabilities	**12,833,598**	13,006,278
Net assets	**12,063,491**	13,990,133
Shareholders' equity		
Issued capital	**21,413,252**	19,230,163
Share-based payments reserves	**1,189,807**	642,979
Accumulated losses	**(10,539,568)**	(7,837,550)
	12,063,491	12,035,592
(Loss) for the year	**(2,702,018)**	(4,743,379)
Total comprehensive (loss)	**(2,702,018)**	(4,743,379)

(b) Guarantees entered into by the parent entity

No guarantees are entered into by the parent entity.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2020 or 30 June 2019.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2020, the parent entity had no contractual commitments for the acquisition of property, plant or equipment (2019: nil).

In the directors' opinion:

(a) the financial statements and notes set out on pages 8 to 66 are in accordance with the *Corporations Act 2001*, including:

 (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

 (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Signed in accordance with a resolution of directors made pursuant to section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

Daniel Simic
Director

Richard Sapsford
Director

Michael Costa
Director

Sydney
30 October 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 balance sheet as at 30 June 2020, the consolidated statement of 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 2020 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.

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 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards 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
30 October 2020