

Pointsbet Holdings Pty Limited and Controlled Entities

ABN 68 621 179 351

Financial Report - 30 June 2018

**Pointsbet Holdings Pty Limited and Controlled Entities
Directors' report
30 June 2018**

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2018.

Directors

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

Sam Swanell (appointed 18 August 2017)
Anthony Peter Symons (appointed 18 August 2017)
Nicholas James Fahey (appointed 18 August 2017)
Peter Damien McCluskey (appointed 28 November 2017)
Brett William Fisher Paton (appointed 19 November 2018)

Principal activities

During the financial year the principal continuing activities of the group consisted of the development of a spreadbetting and fixed odds trading platform and online bookmaking services for sports and racing.

Dividends

No dividends were paid during the financial year (2017: \$0).

Review of operations

The loss for the company after providing for income tax amounted to \$6,657,582 (30 June 2017: \$3,147,654).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year

The consolidated entity raised in total \$23,960,896 from the issue of convertible notes in two equal tranches on 6 August 2018 and 31 October 2018.

The consolidated entity raised \$1,411,360 from the exercise of share options on 31 October 2018.

The consolidated entity has closed a share offer on 8 March 2019 raising \$10,395,066 which will be received in March 2019.

There are no other matters or circumstances which have arisen since 30 June 2018 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

Environmental regulation

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

Shares under option

There were 70,532 unissued ordinary shares of the company under option at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2018. On 31 October 2018, 10,528 options over ordinary shares were exercised.

Pointsbet Holdings Pty Limited and Controlled Entities
Directors' report
30 June 2018

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Proceedings on behalf of the company

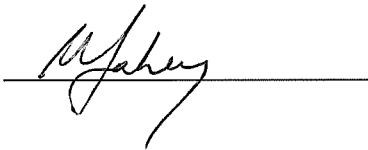
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Auditor's Independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4 of the financial report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'M. J. Maher', is written over a solid horizontal line.

Director

17 April 2019

**Pointsbet Holdings Pty Limited and Controlled Entities
Directors' report
30 June 2018**

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General information

The financial statements cover Pointsbet Holdings Pty Ltd as a consolidated entity consisting of Pointsbet Holdings Pty Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Pointsbet Holdings Pty Ltd's functional and presentation currency.

Pointsbet Holdings Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office
155 Cremorne Street
Cremorne VIC 3121

Principal place of business
155 Cremorne Street
Cremorne VIC 3121

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 17 April 2019. The directors have the power to amend and reissue the financial statements.

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Pointsbet Holdings Pty Ltd for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM

RSM AUSTRALIA PARTNERS



P T SEXTON
Partner

Dated: 17 April 2019
Melbourne, VIC

Pointsbet Holdings Pty Limited and Controlled Entities
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

		Consolidated	
	Note	2018	2017
		\$	\$
Revenue	4	9,381,959	373,049
Cost of sales		<u>(4,322,912)</u>	<u>(269,980)</u>
Gross profit		5,059,047	103,069
Other income	4	471,294	236,151
Depreciation and amortisation	5	(359,862)	(91,137)
Employee benefits expenses	5	(4,445,798)	(2,284,799)
Administration expenses		(415,534)	(152,849)
Consulting fees		(14,866)	(33,306)
Marketing expenses		(6,188,451)	(551,795)
Information technology costs		(260,825)	(152,317)
Fees and permits		(27,906)	(15,452)
Occupancy expenses		(236,171)	(150,347)
Travel and accommodation expenses		(175,863)	(22,363)
Other expenses		<u>(62,647)</u>	<u>(32,509)</u>
Loss before income tax expense		(6,657,582)	(3,147,654)
Income tax expense	7	-	-
Loss for the period		(6,657,582)	(3,147,654)
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(6,657,582)	(3,147,654)
		Cents	Cents
Basic earnings per share	29	(1,956)	(1,203)
Diluted earnings per share	29	(1,956)	(1,203)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Pointsbet Holdings Pty Limited and Controlled Entities
Statement of financial position
As at 30 June 2018

	Note	Consolidated	
		2018	2017
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	8	7,540,201	1,612,775
Trade and other receivables	9	125,585	150,244
Other assets	10	739,905	357,285
Total current assets		8,405,691	2,120,304
Non-current assets			
Financial assets	11	206,400	400,000
Plant and equipment	12	236,987	143,089
Intangibles	13	2,191,508	1,141,222
Total non-current assets		2,634,895	1,684,311
Total assets		11,040,586	3,804,615
Liabilities			
Current liabilities			
Trade and other payables	15	2,395,576	363,786
Financial liabilities	16	321,338	-
Provisions	17	301,535	100,578
Other liabilities	18	3,628,660	978,690
Total current liabilities		6,647,109	1,443,054
Total non-current liabilities		-	-
Total liabilities		6,647,109	1,443,054
Net assets		4,393,477	2,361,561
Equity			
Share capital	19	14,329,174	5,829,018
Reserves		198,408	9,066
Retained earnings/(losses)		(10,134,105)	(3,476,523)
Total equity		4,393,477	2,361,561

The above statement of financial position should be read in conjunction with the accompanying notes

Pointsbet Holdings Pty Limited and Controlled Entities
Statement of changes in equity
For the year ended 30 June 2018

	Share capital	Reserves	Retained earnings/ (losses)	Total equity
Consolidated	\$	\$	\$	\$
Balance at 1 July 2016	628,736	-	(328,869)	299,867
Shares issued	5,200,282	-	-	5,200,282
Loss for the period	-	-	(3,147,654)	(3,147,654)
Share options issued	-	9,066	-	9,066
Other comprehensive income for the year	-	-	-	-
Balance at 30 June 2017	5,829,018	9,066	(3,476,523)	2,361,561
Balance at 1 July 2017	5,829,018	9,066	(3,476,523)	2,361,561
Shares issued	8,500,156	-	-	8,500,156
Loss for the period	-	-	(6,657,582)	(6,657,582)
Share options issued	-	189,342	-	189,342
Other comprehensive income for the year	-	-	-	-
Balance at 30 June 2018	14,329,174	198,408	(10,134,105)	4,393,477

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

Pointsbet Holdings Pty Ltd and Controlled Entities
Statement of cash flows
For the year ended 30 June 2018

	Note	Consolidated	
		2018	2017
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		10,421,989	1,536,178
Payments to suppliers and employees (inclusive of GST)		(10,712,837)	(3,533,104)
Interest received		22,254	16,146
Net cash from operating activities	28	<u>(268,593)</u>	<u>(1,980,780)</u>
Cash flows from investing activities			
Receipts/(payments) for term deposits		200,000	(400,000)
Payments for plant and equipment		(453,760)	(162,267)
Payments for intangible assets		(1,050,286)	(1,047,539)
Net cash used in investing activities		<u>(1,304,046)</u>	<u>(1,609,806)</u>
Cash flows from financing activities			
Proceeds from equity issue		<u>7,500,065</u>	<u>5,072,709</u>
Net cash used in financing activities		<u>7,500,065</u>	<u>5,072,709</u>
Net increase/(decrease) in cash and cash equivalents		5,927,426	1,482,123
Cash and cash equivalents at the beginning of the financial year		<u>1,612,775</u>	<u>130,652</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>7,540,201</u></u>	<u><u>1,612,775</u></u>

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

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

Basis of preparation

The financial statements are general purpose financial statements prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB). These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Pointsbet Holdings Pty Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit and loss when the foreign operation or net investment is disposed of.

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

Note 1. Significant accounting policies (continued)

Business Combinations under Common Control - Pooling of Interests

On 28 September 2017, Pointsbet Holdings Pty Ltd, a newly formed entity, issued shares exclusively to the existing shareholders of Pointsbet Australia Pty Ltd and Pointsbet Pty Ltd, so that the total number of shares they each held in the Pointsbet business was unchanged. Immediately upon this share issue, all shares in Pointsbet Australia Pty Ltd and Pointsbet Pty Ltd were transferred to Pointsbet Holdings Pty Ltd for no consideration; and the shareholders entered into a new shareholder agreement, to ensure they retained their shared, collective control over the combined entity.

Therefore these Group financial statements combine those of Pointsbet Holdings Pty Ltd and the commonly controlled entities as at 30 June 2018. Those entities considered to be under common control are:

- Pointsbet Australia Pty Ltd
- Pointsbet Pty Ltd

All entities have a reporting date of 30 June.

The Pooling of Interests method has been adopted to account for the combination as a business combination carried out under common control. This means the assets and liabilities of the entities coming under common control have been transferred to the financial statements of Pointsbet Holdings Pty Ltd at book value without revaluation. There has been no consideration paid by Pointsbet Holdings Pty Ltd to acquire any of the entities therefore the value of the combined assets is represented as an entry directly to equity with no impact on the Statement of Profit or Loss and Other Comprehensive Income, and no goodwill is recognised.

The financial statements are therefore presented as if the combination of the two entities had occurred at the beginning of the comparative period (i.e. as if the two entities had always been combined).

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

The company reports the gains and losses on all betting activities as revenue, which is measured at the fair value of the consideration received or receivable from customers less free bets, promotions, bonuses and other fair value adjustments. Revenue includes free bets, promotions and bonuses. Open betting positions (pending bets) are accounted for as derivative financial instruments and are carried at fair value. Gains and losses arising on the positions are recognised in revenue.

All revenue is stated net of the amount of goods and services tax.

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

Note 1. Significant accounting policies (continued)

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

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. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

Note 1. Significant accounting policies (continued)

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Derivative financial instruments

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

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Computer equipment	2.5- 6 years
Office equipment	2-10 years
Leasehold improvements	2-5 years

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

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

Note 1. Significant accounting policies (continued)

Intangible assets

Betting platform development

Significant costs associated with the betting platform development are capitalised and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Impairment of non-financial assets

Non-financial assets are reviewed 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.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Provisions

Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

Note 1. Significant accounting policies (continued)

Employee benefits (continued)

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying the Binomial option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

Note 1. Significant accounting policies (continued)

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Earnings Per Share

The Group presents basic and, when applicable, diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic earnings for the impact of the after-tax effect of costs associated with dilutive ordinary shares and the weighted average number of additional ordinary shares that would be outstanding assuming the conversion of all dilutive potential ordinary shares. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the 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 tax authority is included in other receivables or other payables in the statement of financial position.

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 tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
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Note 1. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

At the date of this financial report the following standards and interpretations, which may impact the entity in the period of initial application, have been issued but are not yet effective. Other than changes to disclosure formats, it is not expected that the initial application of these new standards in the future will have any material impact on the financial report, except for AASB 16. This standard requires operating leases which are currently held off balance sheet to be brought onto the balance sheet. Future expected lease payments will be capitalized and brought onto the balance sheet as an asset (right of use) with an offsetting liability, and both will be amortized together with interest costs over the expected remaining period of the leases. The expected value of assets and liabilities at 30 June 2018 is \$229,817 and the company has not brought such assets or liabilities to account.

Reference	Title	Summary	Application date (financial years beginning)
AASB 15	<i>Revenue from Contracts with Customers</i>	It contains a single model for contracts with customers based on a five-step analysis of transactions for revenue recognition, and two approach, a single time or over time, for revenue recognition. Revenue earned from the company's bookmaking activities is accounted for in accordance with AASB 9 Financial Instruments; consequently AASB 15 will not apply to those activities.	1 January 2018
AASB 9	<i>Financial Instruments</i>	This Standard supersedes both AASB 9 (December 2010) and AASB 9 (December 2009) when applied. It introduces a "fair value through other comprehensive income" category for debt instruments and contains requirements for impairment of financial assets, etc. Application of this standard is not expected to impact on either revenue recorded as earned from bookmaking activities or the fair value liability amount recorded as received for pending bets at year end.	1 January 2018
AASB 16	Leases	AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts, effectively resulting in the recognition of almost all leases on the statement of financial position.	1 January 2019

Pointsbet Holdings Pty Limited and Controlled Entities
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30 June 2018

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, 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.

Income tax

The company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax audit issues based on the company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Share-based payment transactions

The consolidated entity 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 a Binomial model taking 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.

Recovery of deferred tax assets

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

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Operating segments

The group has determined that its operating segments are its reportable segments. The Group's reportable segments are as follows:

- Australian Trading; and
- Technology.

This is based on the internal management reports that are reviewed by the Chief Executive Officer (who is identified as the Chief Operating Decision Makers (CODM) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
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Note 3. Operating segments (continued)

Australian Trading revenue includes revenue from sports and race betting services provided to Australian customers. The company reports the gains and losses on all betting positions as revenue, which is measured at the fair value of the consideration received or receivable from customers less free bets, promotions, bonuses and other fair value adjustments. The Technology company derives its revenue from licensing fees charged to the Australian Trading company and incurs expenditure in developing the trading platform.

Corporate administrative costs (Board, Finance, Legal, Internal Audit, Human Resources, Property and other central functions) cannot be readily allocated to individual operating segments and are not used by the CODM for making operating and resource allocation decisions. Hence, these are shown in the reconciliation of reportable segments to Group totals.

Reportable segment information for the year ended 30 June 2018

	Australian Trading \$	Technology \$	Corporate \$	Total \$
Consolidated - 2018				
Revenue				
Sales to external customers	9,381,959		-	9,381,959
Intersegment sales		630,060	-	630,060
Total segment revenue	9,381,959	630,060	-	10,012,019
Unallocated revenue				-
Elimination of intersegment sales				(630,060)
Total revenue				9,381,959
EBITDA	(4,710,566)	(978,386)	(637,422)	(6,326,374)
Depreciation and amortisation				(359,862)
Interest revenue				28,654
Finance costs				-
Profit before income tax				(6,657,582)
Income tax expense				-
Profit after income tax				(6,657,582)
Assets				
Segment assets	4,760,555	2,704,895	14,610,582	22,076,032
Unallocated assets				-
Intersegment eliminations				(11,035,446)
Total assets				11,040,586
Liabilities				
Segment liabilities	(8,941,051)	(2,636,336)	(121,847)	(11,699,234)
Unallocated liabilities				-
Intersegment eliminations				5,052,125
Total liabilities				(6,647,109)

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

Note 3. Operating segments (continued)

Reportable segment information for the year ended 30 June 2017

	Australian Trading \$	Technology \$	Corporate \$	Total \$
Consolidated - 2017				
Revenue				
Sales to external customers	373,049	-	-	373,049
Intersegment sales	-	188,645	-	188,645
Total segment revenue	373,049	188,645	-	561,694
Unallocated Revenue				-
Elimination of intersegment sales				(188,645)
Total revenue				373,049
EBITDA				
Depreciation and amortisation	(1,480,658)	(1,283,018)	(420,207)	(3,183,883)
Interest revenue				(91,137)
Finance costs				127,366
Profit before income tax				-
Income tax expense				(3,147,654)
Profit after income tax				(3,147,654)
Assets				
Segment assets	2,405,197	1,399,418	-	3,804,615
Unallocated assets				-
Intersegment eliminations				-
Total assets				3,804,615
Liabilities				
Segment liabilities	(1,335,876)	(107,177)	-	(1,443,053)
Unallocated liabilities				-
Intersegment eliminations				-
Total liabilities				(1,443,053)

Intersegment transactions

Transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

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 CODM. The CODM is responsible for the allocation of resources to the operating segments and assessing their performance

Major Customers

There are no major customers that represented more than 10% of the segment revenue.

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

Note 4. Revenue and other income	Consolidated	
	2018	2017
	\$	\$
Revenue		
Revenue received from customers	15,243,721	989,793
Less client promotion expenses	(5,861,762)	(616,744)
Total revenue	9,381,959	373,049
Other income		
Research and development income	442,640	108,785
Fair value gain on assets	-	111,220
Interest received	28,654	16,146
Total other income	471,294	236,151

Note 5. Expenses	Consolidated	
	2018	2017
	\$	\$
Profit before income tax includes the following specific expenses:		
Employee benefits expenses		
Salaries	3,555,108	1,734,340
Superannuation	307,240	163,391
Fringe benefits tax	711	5,432
Payroll tax	148,242	79,119
Share option expense	189,343	9,066
Other employee expenses	245,154	293,451
Total employee benefits expenses	4,445,798	2,284,799
Depreciation and amortisation		
Depreciation	62,026	26,209
Amortisation	297,836	64,928
Total depreciation and amortisation expenses	359,862	91,137

Note 6. Remuneration of auditors	Consolidated	
	2018	2017
	\$	\$
During the financial year the following fees were paid or payable for services provided by RSM Australia Partners, the auditor of the company:		
Audit services	43,500	25,550
Other services	-	-
	43,500	25,550

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

Note 7. Income tax expense

Consolidated
2018 **2017**
\$ **\$**

The components of tax expense comprise:

Current tax

Deferred tax

Income tax expense

-	-
-	-
-	-
-	-

The prima facie tax on profit or loss from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax receivable on profit from ordinary activities before income tax at 27.5%

Add:

Tax effect of:

- unrecognised deferred tax assets

- non deductible expenses related to separate R&D claim

(1,830,835) (865,605)

1,293,294 345,474

537,541 520,131

Income tax expense

- -

The applicable weighted average effective tax rates are as follows:

0% 0%

Note 8. Cash and cash equivalents

Consolidated
2018 **2017**
\$ **\$**

Current

Cash at bank

Player cash accounts

Total cash and cash equivalents

4,286,263 922,620

3,253,938 690,155

7,540,201 1,612,775

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

Note 9. Trade and other receivables	Consolidated	
	2018	2017
	\$	\$
<i>Current</i>		
Trade receivables	339,750	234,840
Less provision for doubtful debts	(214,165)	(84,596)
	<u>125,585</u>	<u>150,244</u>

Impairment of trade receivables

The company has recognised a loss of \$0 (2017: \$nil) in profit or loss in respect of impairment of trade receivables for the year ended 30 June 2018.

The ageing of the impaired trade receivables provided for above are as follows:

0 to 3 months overdue	(214,165)	(84,596)
	<u>(214,165)</u>	<u>(84,596)</u>

Movements in the provision for impairment of trade receivables are as follows:

Opening balance	(84,596)	-
Additional provisions recognised	(129,569)	(84,596)
Closing balance	<u>(214,165)</u>	<u>(84,596)</u>

Past due but not impaired

Customers with balances past due but without provision for impairment of trade receivables amount to \$125,585 as at 30 June 2018 (\$nil as at 30 June 2017).

The company did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired trade receivables are as follows:

0 to 3 months overdue	-	-
3 to 6 months overdue	-	-
Over 6 months overdue	125,585	-
	<u>125,585</u>	<u>-</u>

Note 10. Other assets	Consolidated	
	2018	2017
	\$	\$
<i>Current</i>		
Rental bond	92,909	29,544
Prepayments	646,996	327,741
	<u>739,905</u>	<u>357,285</u>

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

Note 11. Financial assets	Consolidated	
	2018	2017
	\$	\$
<i>Non-current</i>		
Term deposits	206,400	400,000
	206,400	400,000

Note 12. Plant and equipment	Consolidated	
	2018	2017
	\$	\$
<i>Non-current</i>		
Computer equipment - at cost	256,670	142,667
Less accumulated depreciation	(78,828)	(27,657)
	177,842	115,010
Office equipment - at cost	32,348	29,771
Less accumulated depreciation	(5,440)	(1,692)
	26,908	28,079
Leasehold improvements - at cost	39,344	-
Less accumulated depreciation	(7,107)	-
	32,237	-
Total plant and equipment	236,987	143,089

Reconciliations

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

Consolidated	Computer equipment	Leasehold improvements	Office equipment	Total
	\$	\$	\$	\$
Balance at 1 July 2016	7,031	-	-	7,031
Addition	132,496	-	29,771	162,267
Disposal	-	-	-	-
Depreciation expense	(24,517)	-	(1,692)	(26,209)
Balance at 30 June 2017	115,010	-	28,079	143,089
Addition	114,003	39,344	2,577	155,924
Disposal	-	-	-	-
Depreciation expense	(51,171)	(7,107)	(3,748)	(62,026)
Balance at 30 June 2018	177,842	32,237	26,908	236,987

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

Note 13. Intangibles	Consolidated	
	2018	2017
	\$	\$
<i>Non-current</i>		
Betting platform development	2,554,272	1,206,150
Less accumulated amortisation	(362,764)	(64,928)
	<u>2,191,508</u>	<u>1,141,222</u>
Total intangibles	<u>2,191,508</u>	<u>1,141,222</u>

Reconciliations

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

Consolidated	Betting platform development	Total
	\$	\$
Balance at 1 July 2016	158,611	158,611
Addition	1,062,539	1,062,539
Disposal	(15,000)	(15,000)
Amortisation expense	(64,928)	(64,928)
	<u>1,141,222</u>	<u>1,141,222</u>
Balance at 30 June 2017	1,141,222	1,141,222
Addition	1,348,122	1,348,122
Disposal	-	-
Amortisation expense	(297,836)	(297,836)
	<u>2,191,508</u>	<u>2,191,508</u>
Balance at 30 June 2018	<u>2,191,508</u>	<u>2,191,508</u>

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

	Consolidated	
	2018	2017
	\$	\$
Note 14. Deferred tax assets		
Net deferred tax assets/(liabilities) comprises temporary differences attributable to:		
Provision for doubtful debts	58,895	23,264
Intangibles	(534,882)	(285,483)
Annual leave	57,953	27,659
Provision for chargebacks	24,969	-
Deferred income	103,049	-
Carry forward losses	348,911	257,824
	<u>-</u>	<u>-</u>
Movements:		
Opening balance	-	-
Credited to profit or loss	-	-
Closing balance	<u>-</u>	<u>-</u>
Deferred tax assets which have not been recognised in the statement of financial position:		
Carry forward losses	1,659,648	366,353
	<u>1,659,648</u>	<u>366,353</u>

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

	Consolidated	
	2018	2017
	\$	\$
Note 15. Trade and other payables		
<i>Current</i>		
Trade payables	1,043,594	247,042
Accruals and other payables	1,351,982	116,744
Total trade and other payables	2,395,576	363,786

	Consolidated	
	2018	2017
	\$	\$
Note 16. Financial liabilities		
<i>Current</i>		
Pending bets - at fair value	321,338	-
Total financial liabilities	321,338	-

	Consolidated	
	2018	2017
	\$	\$
Note 17. Provisions		
<i>Current</i>		
Annual leave	210,738	100,578
Provision for chargebacks	90,797	-
Total provisions	301,535	100,578

Amounts not expected to be settled within the next 12 months

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

	Consolidated	
	2018	2017
	\$	\$
Note 18. Other liabilities		
<i>Current</i>		
Deferred income	374,722	-
Player cash accounts	3,253,938	690,155
Player bonus wallet payable	-	288,535
Total other liabilities	3,628,660	978,690

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
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Note 19. Contributed equity	Consolidated	
	2018	2017
	\$	\$
Contributed equity	14,329,174	5,829,018
<i>Movements in ordinary share capital</i>		
Balance at 1 July 2016	182,860	628,736
Capital raising	31.445	97,004
Capital raising	64.317	33,428
Share based payments for services	-	-
Balance at 30 June 2017	313,292	5,829,018
Capital raising	111.717	33,567
Capital raising	134.06	27,973
Share based payments for services	111.717	8,952
Balance at 30 June 2018	383,784	14,329,174

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Note 20. Financial instruments

Financial risk management objectives

The company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company.

Risk management is carried out by management under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the company and appropriate procedures, controls and risk limits. Management identifies, evaluates and hedges financial risks within the company and reports to the Board on a regular basis.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The company has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

Note 20. Financial instruments (continued)

Liquidity risk

Vigilant liquidity risk management requires the company 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.

Remaining contractual maturities

The following tables detail the company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid.

Consolidated	Weighted average interest rate	1 year or less	Between 1 and 2 years	Over 2 years	Remaining contractual maturities
	%	\$	\$	\$	\$
2018					
Trade and other payables	0.0%	2,395,576	-	-	2,395,576
Financial liabilities	0.0%	321,338	-	-	321,338
Other liabilities	0.0%	3,628,660	-	-	3,628,660
Total		<u>6,345,574</u>	-	-	<u>6,345,574</u>
2017					
Trade and other payables	0.0%	363,786	-	-	363,786
Financial liabilities	0.0%	-	-	-	-
Other liabilities	0.0%	978,690	-	-	978,690
Total		<u>1,342,476</u>	-	-	<u>1,342,476</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 21. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	Consolidated	
	2018	2017
	\$	\$
Short-term employee benefits	831,723	582,381
Post-employment benefits	78,928	55,298
Long-term benefits	-	-
Share based payments	77,027	2,221
	<u>987,678</u>	<u>639,900</u>

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

Note 22. Related party transactions	Consolidated	
	2018	2017
	\$	\$

Key management personnel

Disclosures relating to key management personnel are set out in Note 21.

Transactions with related parties

The following transactions occurred with related parties:

Payment for services from shareholder	739,433	120,000
	<hr/>	<hr/>

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Current payables to director	42,145	-
	<hr/>	<hr/>

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 23. Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business/ Country of incorporation	Ownership interest	
		2018	2017
		%	%
Pointsbet Australia Pty Ltd	Australia	100%	100%
Pointsbet Pty Ltd	Australia	100%	100%

Note 24. Parent entity information

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

	Consolidated	
	2018	2017
	\$	\$
<i>Statement of profit or loss and other comprehensive income</i>		
Loss after income tax	(38,842)	-
Total comprehensive income	<hr/>	<hr/>
	(38,842)	-
<i>Statement of financial position</i>		
Total current assets	8,627,261	-
Total assets	<hr/>	<hr/>
	14,610,582	-
Total current liabilities	(121,847)	-
Total liabilities	<hr/>	<hr/>
	(121,847)	-
Total equity	<hr/>	<hr/>
	14,488,735	-

The parent company was incorporated on 18 August 2017 and consequently there are no balances at 30 June 2017.

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

Note 25. Contingent assets and contingent liabilities

The company had no contingent assets and contingent liabilities as at 30 June 2018 (2017: \$0).

Note 26. Commitments

Lease commitments - operating

Committed at the reporting date but not recognised as liabilities, payable:

	Consolidated	
	2018	2017
	\$	\$
Within one year	118,710	121,588
One to five years	111,106	198,702
Total commitment	<u>229,817</u>	<u>320,290</u>

Operating lease commitments includes contracted amounts for offices under non-cancellable operating leases expiring within one to five years with options to extend. On renewal, the terms of the leases are renegotiated.

Note 27. Events after the reporting period

The consolidated entity raised in total \$23,960,896 from the issue of convertible in two equal tranches on 6 August 2018 and 31 October 2018.

The consolidated entity raised \$1,411,360 from the exercise of share options on 31 October 2018.

The consolidated entity has closed a share offer on 8 March 2019 raising \$10,395,066 which will be received in March 2019.

There are no other matters or circumstances which have arisen since 30 June 2018 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 28. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2018	2017
	\$	\$
Loss after income tax expense for the year	(6,657,582)	(3,147,654)
Adjustments for:		
Depreciation and amortisation	359,862	91,137
Share option expense	189,342	9,066
Fair value movement of open bets held	321,338	-
Share based payment	769,355	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	24,659	(150,244)
(Increase)/decrease in other assets	(158,284)	(93,889)
Increase/(decrease) in trade and other payables	2,031,790	245,869
Increase/(decrease) in other liabilities	2,649,970	967,690
Increase/(decrease) in provisions	200,957	97,245
Net cash from operating activities	<u>(268,593)</u>	<u>(1,980,780)</u>

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

Note 29. Earnings per share	Consolidated	
	2018 No.	2017 No.
Weighted average number of ordinary shares used in calculating basic earnings per share	340,305	261,694
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	17,074	1,562
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>357,380</u>	<u>263,256</u>
	Cents	Cents
Basic earnings per share	(1,956)	(1,203)
Diluted earnings per share	(1,956)	(1,203)

Note 30. Share based payments

A share option plan has been established by the consolidated entity and approved by the directors. Set out below are summaries of options granted under the plan:

2018		Exercise Price \$	Balance at the start of the year	Granted	Exercised	Expired/ forfeited	Balance at year end
Grant Date	Expiry Date						
20/02/2017	20/02/2020	31.445	2,920	-	-	(320)	2,600
27/02/2017	27/02/2020	31.445	320	-	-	-	320
6/03/2017	6/03/2020	31.445	400	-	-	(400)	-
16/03/2017	16/03/2020	31.445	1,760	-	-	-	1,760
1/05/2017	1/05/2020	64.317	116	-	-	(116)	-
16/06/2017	16/06/2020	64.317	776	-	-	(776)	-
5/07/2017	5/07/2020	64.317	-	388	-	-	388
7/08/2017	7/08/2020	64.317	-	390	-	-	390
28/09/2017	28/09/2020	111.72	-	895	-	-	895
2/10/2017	2/10/2020	111.72	-	335	-	-	335
1/11/2017	1/11/2020	111.72	-	2,955	-	-	2,955
15/01/2018	15/01/2021	111.72	-	224	-	-	224
19/02/2018	19/02/2021	111.72	-	224	-	-	224
1/05/2018	1/05/2021	111.72	-	359	-	-	359
16/05/2018	16/05/2021	111.72	-	358	-	-	358
29/05/2018	29/05/2021	134.06	-	187	-	-	187
18/06/2018	18/06/2021	134.06	-	1,230	-	-	1,230
30/06/2018	30/06/2021	134.06	-	3,541	-	-	3,541
			<u>6,292</u>	<u>11,086</u>	-	<u>(1,612)</u>	<u>15,766</u>
Weighted average exercise price			36.11	118.38	-	49.63	92.58

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

Note 30. Share based payments (continued)

2017							
Grant Date	Expiry Date	Exercise Price \$	Balance at the start of the year	Granted	Exercised	Expired/forfeited	Balance at year end
20/02/2017	20/02/2020	31.445	-	2,920	-	-	2,920
27/02/2017	27/02/2020	31.445	-	320	-	-	320
6/03/2017	6/03/2020	31.445	-	400	-	-	400
16/03/2017	16/03/2020	31.445	-	1,760	-	-	1,760
1/05/2017	1/05/2020	64.317	-	116	-	-	116
16/06/2017	16/06/2020	64.317	-	776	-	-	776
			-	6,292	-	-	6,292
Weighted average exercise price			-	36.11	-	-	36.11

The weighted average share price during the financial year was \$95.74 (2017: \$37.12)

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.34 years (2017: 1.62 years)

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:

Grant date	Expiry date	Share price at grant date \$	Exercise price \$	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date \$
5/07/2017	5/07/2020	64.317	64.317	100%	0%	1.95%	39.088
7/08/2017	7/08/2020	64.317	64.317	100%	0%	1.95%	39.088
28/09/2017	28/09/2020	111.72	111.72	100%	0%	1.95%	69.7755
2/10/2017	2/10/2020	111.72	111.72	100%	0%	1.95%	69.7755
1/11/2017	1/11/2020	111.72	111.72	100%	0%	1.95%	69.7755
15/01/2018	15/01/2021	111.72	111.72	100%	0%	1.95%	69.7755
19/02/2018	19/02/2021	111.72	111.72	100%	0%	1.95%	69.7755
1/05/2018	1/05/2021	111.72	111.72	100%	0%	1.95%	69.7755
16/05/2018	16/05/2021	111.72	111.72	100%	0%	1.95%	69.7755
29/05/2018	29/05/2021	134.06	134.06	100%	0%	1.95%	83.7303
18/06/2018	18/06/2021	134.06	134.06	100%	0%	1.95%	83.7303
30/06/2018	30/06/2021	134.06	134.06	100%	0%	1.95%	83.7303

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

Note 31. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Total assets	-	-	-	-
<i>Liabilities</i>				
Pending bets	-	-	(321,338)	(321,338)
Total liabilities	-	-	(321,338)	(321,338)
2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Total assets	-	-	-	-
<i>Liabilities</i>				
Total liabilities	-	-	-	-

There were no transfers between levels during the financial year.

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

Valuation techniques for fair value measurements categorised within level 2 and level 3

Pending bets have been valued based on the amount of unsettled bets at year end, adjusted for the average net win in each open market.

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
30 June 2018

Note 31. Fair value measurement (continued)

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

	Pending bets \$	Total \$
Balance at 1 July 2016	-	-
Additions	-	-
Disposals	-	-
Gains/(loss) recognised in profit or loss	-	-
Gains/(loss) recognised in other comprehensive income	-	-
	<hr/>	<hr/>
Balance at 30 June 2017	-	-
Additions	-	-
Disposals	-	-
Gains/(loss) recognised in profit or loss	(321,338)	(321,338)
Gains/(loss) recognised in other comprehensive income	-	-
	<hr/>	<hr/>
Balance at 30 June 2018	(321,338)	(321,338)

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Unobservable inputs	Range (weighted average)	Sensitivity
Pending bets	Average net win	1% to 10%	1% change would result in increase/decrease fair value by \$3,500

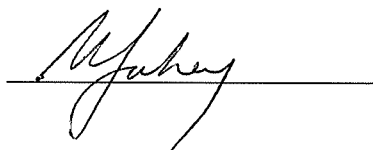
Pointsbet Holdings Pty Limited and Controlled Entities
Directors' declaration
30 June 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Director

17 April 2019

INDEPENDENT AUDITOR'S REPORT To the Members of Pointsbet Holdings Pty Limited

Opinion

We have audited the financial report of Pointsbet Holdings Pty Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and 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 financial position as at 30 June 2018 and of its financial performance for the year then ended; 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 confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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 have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.



RSM AUSTRALIA PARTNERS



P T SEXTON
Partner

Dated: 18 April 2019
Melbourne, VIC