

Playside Studios Pty Ltd

ABN 73 154 789 554

Annual Report - 30 June 2019

Playside Studios Pty Ltd**Contents****30 June 2019**

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General information

The financial statements cover Playside Studios Pty Ltd as a consolidated entity consisting of Playside Studios 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 Playside Studios Pty Ltd's functional and presentation currency.

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

Level 1
75 Crockford Street
PORT MELBOURNE VIC 3207

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 20 October 2020. The directors have the power to amend and reissue the financial statements.

Playside Studios Pty Ltd
Directors' report
30 June 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Playside Studios Pty Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors

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

Aaron Parias
Mark Goulopoulos
Gerry Sakkas

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- Development of mobile games on a Work-for-Hire basis for external IP Owners; and
- Development and monetisation of our own IP games.

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2019	2018
	\$	\$
Final dividend for the year ended 30 June 2019 of 4.57 dollars (2018: 1.32 dollars) per ordinary share	<u>822,585</u>	<u>236,842</u>

All dividends paid in FY2019 and FY2018 were unfranked and will be fully taxable in the hands of shareholders.

A dividend of \$3.95 per share for the year ending 30 June 2020 was declared before the financial statements were authorised for issue, but not recognised as a distribution to equity holders during the period.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$51,797 (30 June 2018: profit of \$1,580,956).

This reduced profitability was primarily a result of a fall in Sales Revenue.

Sales revenue at \$4,312,727 fell \$809,412 (15.8%) on the prior year, which was the net effect of:

- Work for Hire Revenue from the Apps Business - up \$428,771;
- Work for Hire Revenue – Non-Apps business – up \$513,491; and
- Original IP Revenue – down \$1,751,674 or 58.8% on the prior comparative period.

This reduction in the Original IP Revenue occurred due to changes made by Apple to their App Store whereby they no longer prominently featured trending games. As a consequence, the Company would need to start spending a lot more on advertising in order to acquire users to play their own developed games.

Other income at \$630,367 was relatively flat on the prior year (\$662,531).

Employee expenses at \$3,577,861 rose \$1,227,417 (52.2%) on the prior year, a result of the Studio needing to hire more staff required to both service the increased number of Work-for-Hire projects and also to test opportunities for Original IP games.

Selling expenses fell \$156,208 on the prior year due to a \$111,897 fall in royalty payments.

General and Administrative expenses rose \$198,849, with key drivers being software purchases (up \$79,304) and travelling expenses (up \$48,324).

Pre-Tax Profit at \$277,579 was \$2,130,498 down on the prior year due to the combination of the \$809,412 reduction in revenue and the overall increase in expenses of \$1,266,582.

Playside Studios Pty Ltd
Directors' report
30 June 2019

The Company recorded a post-tax loss of \$51,797, which was adversely impacted by the income tax expense which at \$329,376 was 119% of the Pre-Tax Profit, due to the accounting requirements for the R&D Tax Incentive.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. The impact of the pandemic subsequent to the reporting date continues to be monitored, where the positives associated with consumers spending more time at home to play games has to some extent been offset by a slowdown in Work-for-Hire opportunities emanating from some of the larger entertainment companies overseas, particularly in the USA.

Subsequent to the reporting period, a dividend of \$3.95 per share was paid during the year ended 30 June 2020.

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity 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 consolidated entity.

Environmental regulation

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

Shares under option

Unissued ordinary shares of Playside Studios Pty Ltd under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
03/04/2017	03/04/2022	\$18.89	2,700
01/10/2017	01/10/2022	\$18.89	2,700
02/12/2019	02/12/2024	\$18.89	1,800
01/07/2020	01/07/2025	\$18.89	900
25/09/2020	25/09/2025	\$18.89	900
			<u>9,000</u>

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

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

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. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Playside Studios Pty Ltd
Directors' report
30 June 2019

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court 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.

This report is made in accordance with a resolution of directors.

On behalf of the directors



Aaron Pasias
Director

20 October 2020
Melbourne, Australia

Playside Studios Pty Ltd
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 \$	2018 \$
Revenue	3	4,312,727	5,122,139
Other income	4	630,367	662,531
Expenses			
Employee benefits expense	5	(3,577,861)	(2,350,444)
General and administrative expenses		(598,420)	(399,571)
Selling expenses		(265,730)	(421,938)
Finance costs	5	(34,490)	(37,966)
Operating profit		466,593	2,574,751
Depreciation expense	5	(189,014)	(166,674)
Profit before income tax expense		277,579	2,408,077
Income tax expense	6	(329,376)	(827,121)
Profit/(loss) after income tax expense for the year attributable to the owners of Playside Studios Pty Ltd	21	(51,797)	1,580,956
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Playside Studios Pty Ltd		<u>(51,797)</u>	<u>1,580,956</u>
		Cents	Cents
Basic earnings per share	34	(28.78)	878.31
Diluted earnings per share	34	(28.78)	855.87

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

Playside Studios Pty Ltd
Consolidated statement of financial position
As at 30 June 2019

	Note	Consolidated 2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	7	181,645	1,027,762
Trade and other receivables	8	291,344	494,978
Prepayments		4,385	-
Other financial assets	9	781,625	531,625
Related party receivables	10	283,443	243,835
Other current assets	11	195,849	55,000
Total current assets		<u>1,738,291</u>	<u>2,353,200</u>
Non-current assets			
Property, plant and equipment	12	400,176	409,810
Right-of-use assets	13	757,358	865,552
Intangibles	14	818	818
Deferred tax	6	73,001	27,030
Total non-current assets		<u>1,231,353</u>	<u>1,303,210</u>
Total assets		<u>2,969,644</u>	<u>3,656,410</u>
Liabilities			
Current liabilities			
Trade and other payables	15	439,769	143,598
Related party payables	16	-	29,207
Lease liabilities	17	94,790	87,549
Income tax	6	188,679	418,919
Provisions	18	314,105	269,322
Total current liabilities		<u>1,037,343</u>	<u>948,595</u>
Non-current liabilities			
Lease liabilities	17	744,711	839,501
Provisions	18	161,925	96,094
Total non-current liabilities		<u>906,636</u>	<u>935,595</u>
Total liabilities		<u>1,943,979</u>	<u>1,884,190</u>
Net assets		<u>1,025,665</u>	<u>1,772,220</u>
Equity			
Issued capital	19	180	180
Reserves	20	267,922	140,095
Retained profits	21	757,563	1,631,945
Total equity		<u>1,025,665</u>	<u>1,772,220</u>

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

Playside Studios Pty Ltd
Consolidated statement of changes in equity
For the year ended 30 June 2019

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2017	180	12,268	287,831	300,279
Profit after income tax expense for the year	-	-	1,580,956	1,580,956
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	1,580,956	1,580,956
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 33)	-	127,827	-	127,827
Dividends paid (note 22)	-	-	(236,842)	(236,842)
Balance at 30 June 2018	<u>180</u>	<u>140,095</u>	<u>1,631,945</u>	<u>1,772,220</u>

Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2018	180	140,095	1,631,945	1,772,220
Loss after income tax expense for the year	-	-	(51,797)	(51,797)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(51,797)	(51,797)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 33)	-	127,827	-	127,827
Dividends paid (note 22)	-	-	(822,585)	(822,585)
Balance at 30 June 2019	<u>180</u>	<u>267,922</u>	<u>757,563</u>	<u>1,025,665</u>

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

Playside Studios Pty Ltd
Consolidated statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated 2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		4,782,716	5,280,486
Payments to suppliers and employees (inclusive of GST)		(4,178,796)	(3,441,472)
Government grants received		586,754	629,953
Interest received		20,773	4,556
Interest paid		(36)	(207)
Interest paid on lease liabilities		(34,454)	(37,759)
Income taxes paid		(605,587)	(484,499)
Net cash from operating activities	32	<u>571,370</u>	<u>1,951,058</u>
Cash flows from investing activities			
Payments for investments in term deposits classified as other financial assets		(250,000)	(500,000)
Payments for property, plant and equipment	12	<u>(71,186)</u>	<u>(167,937)</u>
Net cash used in investing activities		<u>(321,186)</u>	<u>(667,937)</u>
Cash flows from financing activities			
Payment of loans by related parties		13,668	29,207
Dividends paid	22	(822,585)	(236,842)
Repayment of lease liabilities		(87,549)	(46,696)
Payment of loans to related parties		<u>(82,483)</u>	<u>(238,588)</u>
Net cash used in financing activities		<u>(978,949)</u>	<u>(492,919)</u>
Net increase/(decrease) in cash and cash equivalents		(728,765)	790,202
Cash and cash equivalents at the beginning of the financial year		1,027,762	219,757
Effects of exchange rate changes on cash and cash equivalents		<u>(117,352)</u>	<u>17,803</u>
Cash and cash equivalents at the end of the financial year	7	<u><u>181,645</u></u>	<u><u>1,027,762</u></u>

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

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

The consolidated entity 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 were early adopted are disclosed below.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The consolidated entity has early adopted AASB 9 from 1 July 2017. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

The consolidated entity has early adopted AASB 15 from 1 July 2017. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

AASB 16 Leases

The consolidated entity has early adopted AASB 16 from 1 July 2017. 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 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.

Note 1. Significant accounting policies (continued)

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 ('AASB'), as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, 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 consolidated entity'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.

Parent entity information

These financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 30. The comparative financial information includes Playside Studios Pty Ltd as a single entity only. The company was consolidated during the 2019 financial year.

Comparative information

The comparative information relates to Playside Studios Pty Ltd as a standalone entity. The prior period financial report was not prepared as a consolidated set of financial statements.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Playside Studios Pty Ltd ('Company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Playside Studios Pty Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity 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 consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Playside Studios Pty Ltd's functional and presentation currency.

Note 1. Significant accounting policies (continued)

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.

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 consolidated entity'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 consolidated entity'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.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Note 1. Significant accounting policies (continued)

Impairment of non-financial assets

Goodwill and other 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 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.

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.

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.

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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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 either the Binomial or Black-Scholes 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.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity 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.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

As discussed in note 18, 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. Revenue

	Consolidated	
	2019	2018
	\$	\$
<i>Revenue from contracts with customers</i>		
Work for hire - Apps*	428,771	-
Work for hire	2,659,068	2,145,577
Original intellectual property	1,224,888	2,976,562
Revenue	<u>4,312,727</u>	<u>5,122,139</u>

Note 3. Revenue (continued)

Accounting policy for revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers - General principles

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised, using the input method where the goods or services are transferred over time.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Revenue from contracts - Work for hire

Revenue is brought into account on a percentage completion basis as performance obligations identified in the sales contract are performed. Revenue invoiced for incomplete performance obligations is recognised as a liability in deferred revenue.

Revenue from contracts - Original IP

Revenue is derived from the placement of advertisements on Playside's original game platforms and is recognised when a client's advertisement has been published on the agreed platform.

- * This revenue stream related to arrangements whereby the Company has developed and maintained mobile applications for a number of businesses. These business arrangements, have been terminated at or after 30 June 2020, and will not contribute to revenue after the June 2020 financial year.

Note 4. Other income

	Consolidated	
	2019	2018
	\$	\$
Net foreign exchange gain	536	26,658
Government grants	586,754	629,953
Interest revenue	20,773	4,556
Other income	22,304	1,364
	<u>630,367</u>	<u>662,531</u>
Other income	<u>630,367</u>	<u>662,531</u>

Government grants

Grant revenue is recognised in profit or loss when the Company satisfies the performance obligations stated within the funding agreements.

If conditions are attached to the grant which must be satisfied before the Company is eligible to retain the contribution, the grant will be recognised in the statement of financial position as a liability until those conditions are satisfied.

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Note 4. Other income (continued)

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Note 5. Expenses

	Consolidated	
	2019	2018
	\$	\$
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Leasehold improvements	32,321	25,184
Fixtures and fittings	8,907	5,728
Buildings right-of-use assets	108,194	108,194
Computer equipment	39,592	27,568
Total depreciation	189,014	166,674
<i>Finance costs</i>		
Interest and finance charges paid/payable	36	207
Interest and finance charges paid/payable on lease liabilities	34,454	37,759
Finance costs expensed	34,490	37,966
<i>Net foreign exchange loss</i>		
Net foreign exchange loss	117,352	-
<i>Employee benefits expense</i>		
Defined contribution superannuation expense	261,649	171,820
Share-based payments expense	127,827	127,827
Employee benefits expense excluding superannuation	3,188,385	2,050,797
	3,577,861	2,350,444

Note 6. Income tax

	Consolidated	
	2019	2018
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	277,579	2,408,077
Tax at the statutory tax rate of 27.5%	76,334	662,221
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	35,152	35,152
Adjustment for R&D incentive benefit recorded as income	207,273	219,509
Other deductible items	-	(68,471)
Under/(over) provision for tax	10,617	(21,290)
Income tax expense	<u>329,376</u>	<u>827,121</u>

Accounting policy for 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.

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Note 7. Cash and cash equivalents

	Consolidated	
	2019	2018
	\$	\$
<i>Current assets</i>		
Cash on hand	1,080	180
Cash at bank	180,565	1,027,582
	<u>181,645</u>	<u>1,027,762</u>

Accounting policy for 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.

Note 8. Trade and other receivables

	Consolidated	
	2019	2018
	\$	\$
<i>Current assets</i>		
Trade receivables	284,192	455,538
GST receivable	7,152	39,440
	<u>291,344</u>	<u>494,978</u>

Accounting policy for 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 allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 9. Other financial assets

	Consolidated	
	2019	2018
	\$	\$
<i>Current assets</i>		
Bonds	31,625	31,625
Term deposits	750,000	500,000
	<u>781,625</u>	<u>531,625</u>

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Note 10. Related party receivables

	Consolidated	
	2019	2018
	\$	\$
<i>Current assets</i>		
Loan receivables - Shade Crew Pty Ltd	53,276	-
Loan receivables - 2050 VP (formerly Playside VR Pty Ltd)	230,167	243,835
	<u>283,443</u>	<u>243,835</u>

Note 11. Other current assets

	Consolidated	
	2019	2018
	\$	\$
<i>Current assets</i>		
Work in progress	195,849	55,000

Note 12. Property, plant and equipment

	Consolidated	
	2019	2018
	\$	\$
<i>Non-current assets</i>		
Leasehold improvements - at cost	331,672	310,360
Less: Accumulated depreciation	(68,839)	(36,520)
	<u>262,833</u>	<u>273,840</u>
 Furniture and fixtures - at cost	 93,380	 73,775
Less: Accumulated depreciation	(19,865)	(10,957)
	<u>73,515</u>	<u>62,818</u>
 Computer equipment - at cost	 150,028	 119,759
Less: Accumulated depreciation	(86,200)	(46,607)
	<u>63,828</u>	<u>73,152</u>
	<u>400,176</u>	<u>409,810</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	Improve- ments \$	Furniture and fixtures \$	Computer equipment \$	Total \$
Balance at 1 July 2017	225,107	37,353	37,893	300,353
Additions	73,917	31,193	62,827	167,937
Depreciation expense	(25,184)	(5,728)	(27,568)	(58,480)
Balance at 30 June 2018	273,840	62,818	73,152	409,810
Additions	21,314	19,604	30,268	71,186
Depreciation expense	(32,321)	(8,907)	(39,592)	(80,820)
Balance at 30 June 2019	<u>262,833</u>	<u>73,515</u>	<u>63,828</u>	<u>400,176</u>

Note 12. Property, plant and equipment (continued)

Accounting policy for property, 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 property, plant and equipment (excluding land) over their expected useful lives as follows:

Leasehold improvements	10%
Furniture & fixtures	10%
Computer equipment	20%-50%

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

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Note 13. Right-of-use assets

	Consolidated	
	2019	2018
	\$	\$
<i>Non-current assets</i>		
Land and buildings - right-of-use	973,746	973,746
Less: Accumulated depreciation	(216,388)	(108,194)
	<u>757,358</u>	<u>865,552</u>

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Note 14. Intangibles

	Consolidated	
	2019	2018
	\$	\$
<i>Non-current assets</i>		
Patents and trademarks - at cost	<u>818</u>	<u>818</u>

Note 14. Intangibles (continued)

Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Note 15. Trade and other payables

	Consolidated	
	2019	2018
	\$	\$
<i>Current liabilities</i>		
Trade payables	125,018	71,560
Other payables	314,751	72,038
	<u>439,769</u>	<u>143,598</u>

Refer to note 23 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity 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.

Note 16. Related party payables

	Consolidated	
	2019	2018
	\$	\$
<i>Current liabilities</i>		
Loan - Pasiyas Family Trust	-	9,249
Loan - Gerry Sakkas	-	9,249
Loan - Tejesh Munusamy	-	1,460
Loan - MG Family Trust	-	9,249
	<u>-</u>	<u>29,207</u>

Accounting policy for 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.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

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Note 17. Lease liabilities

	Consolidated	
	2019	2018
	\$	\$
<i>Current liabilities</i>		
Lease liability	<u>94,790</u>	<u>87,549</u>
<i>Non-current liabilities</i>		
Lease liability	<u>744,711</u>	<u>839,501</u>

Refer to note 23 for further information on financial instruments.

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 18. Provisions

	Consolidated	
	2019	2018
	\$	\$
<i>Current liabilities</i>		
Employee benefits	<u>314,105</u>	<u>269,322</u>
<i>Non-current liabilities</i>		
Employee benefits	<u>161,925</u>	<u>96,094</u>

Accounting policy for 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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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Note 19. Issued capital

	2019	Consolidated	2019	2018
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>180,000</u>	<u>180,000</u>	<u>180</u>	<u>180</u>

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.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it 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, minus net cash. Net cash is calculated as total borrowings less cash and cash equivalents.

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

The consolidated entity does not at present have any external financing arrangements as it is in a net cash position as at 30 June 2019.

Note 20. Reserves

	Consolidated	Consolidated
	2019	2018
	\$	\$
Share-based payments reserve	<u>267,922</u>	<u>140,095</u>

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Note 21. Retained profits

	Consolidated	Consolidated
	2019	2018
	\$	\$
Retained profits at the beginning of the financial year	1,631,945	287,831
Profit/(loss) after income tax expense for the year	(51,797)	1,580,956
Dividends paid (note 22)	<u>(822,585)</u>	<u>(236,842)</u>
Retained profits at the end of the financial year	<u>757,563</u>	<u>1,631,945</u>

Note 22. Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2019	2018
	\$	\$
Final dividend for the year ended 30 June 2019 of 4.57 dollars (2018: 1.32 dollars) per ordinary share	<u>822,585</u>	<u>236,842</u>

All dividends paid in FY2019 and FY2018 were unfranked and will be fully taxable in the hands of shareholders.

A dividend of \$3.95 per share for the year ending 30 June 2020 was declared before the financial statements were authorised for issue, but not recognised as a distribution to equity holders during the period.

Accounting policy for dividends

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

Note 23. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk.

The consolidated entity'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 consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange and ageing analysis.

Risk management has historically been carried out by the Board of Directors and the Senior Management Team, with the Finance Director in particular responsible for managing foreign currency and credit risk with support of the Senior Management Team. The Senior Management Team also report its financial results to the Board of Directors on a monthly basis.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
	2019	2018	2019	2018
Consolidated	\$	\$	\$	\$
US dollars	<u>139,309</u>	<u>350,915</u>	<u>40,929</u>	<u>65,516</u>

Note 23. Financial instruments (continued)

The consolidated entity had net assets denominated in foreign currencies of \$98,380 (assets of \$139,309 less liabilities of \$40,929) as at 30 June 2019 (2018: \$285,399 net assets (assets of \$350,915 less liabilities of \$65,516)). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% (2018: weakened by 10%/strengthened by 5%) against these foreign currencies with all other variables held constant, the consolidated entity's profit before tax for the year would have been \$9,838 higher/\$4,919 lower (2018: \$35,092 higher/\$17,546 lower) and equity would have been \$9,838 higher/\$4,919 lower (2018: \$35,092 higher/\$17,546 lower). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last six months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 30 June 2019 was \$117,352 (2018: gain of \$26,658).

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity is not exposed to any significant interest rate risk on the basis it has no borrowings and has been in a net cash position right throughout FY2019 and FY2018.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. 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. The consolidated entity does not hold any collateral.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than six months.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity 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 consolidated entity manages liquidity risk by maintaining adequate cash reserves and continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

The consolidated entity does not have any borrowing facilities in place at the reporting date. This does not present a financing risk as the Company has sufficient cash reserves in place to fund the business for the foreseeable future.

Note 23. Financial instruments (continued)

Remaining contractual maturities

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

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 2019						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	125,018	-	-	-	125,018
Other payables	-	314,751	-	-	-	314,751
<i>Interest-bearing - variable</i>						
Lease liability	4.00%	94,790	102,433	357,469	284,809	839,501
Total non-derivatives		534,559	102,433	357,469	284,809	1,279,270
Consolidated - 2018						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	71,560	-	-	-	71,560
Other payables	-	72,038	-	-	-	72,038
Related party payables	-	29,207	-	-	-	29,207
<i>Interest-bearing - variable</i>						
Lease liability	4.00%	87,549	94,790	333,931	412,779	929,049
Total non-derivatives		260,354	94,790	333,931	412,779	1,101,854

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 24. Fair value measurement

Accounting policy for 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.

Note 25. Key management personnel disclosures

Compensation

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

	Consolidated	
	2019	2018
	\$	\$
Short-term employee benefits	612,461	420,000
Post-employment benefits	58,183	39,900
Share-based payments	14,791	14,791
	<u>685,435</u>	<u>474,691</u>

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd, the auditor of the Company:

	Consolidated	
	2019	2018
	\$	\$
<i>Audit services -</i>		
Audit of the financial statements	<u>13,333</u>	<u>13,333</u>
<i>Other services -</i>		
Preparation of the financial statements	<u>2,500</u>	<u>2,500</u>
	<u>15,833</u>	<u>15,833</u>

Note 27. Contingent assets and liabilities

The Company has no contingent asset or liabilities as at 30 June 2019 or 30 June 2018.

Note 28. Commitments

The Company had no commitments for capital expenditures as at 30 June 2019 or 30 June 2018.

Note 29. Related party transactions

Parent entity

Playside Studios Pty Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 31.

Key management personnel

Disclosures relating to key management personnel are set out in note 25.

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30 June 2019

Note 29. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2019	2018
	\$	\$
Payment for other expenses:		
Management fees paid to director related entities	-	157,895

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

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

	Consolidated	
	2019	2018
	\$	\$
Current receivables:		
Loan to director related entities	283,443	243,835
Current borrowings:		
Loan from Gerry Sakkas	-	9,249
Loan from MG Family Trust	-	9,249
Loan from Pasiyas Family Trust	-	9,249
Loan from Tejesh Munusamy	-	1,460

Note 30. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2019	2018
	\$	\$
Profit/(loss) after income tax	(51,797)	1,580,956
Total comprehensive income	(51,797)	1,580,956

Playside Studios Pty Ltd
Notes to the consolidated financial statements
30 June 2019

Note 30. Parent entity information (continued)

Statement of financial position

	Parent	
	2019	2018
	\$	\$
Total current assets	1,738,290	2,353,200
Total assets	2,969,644	3,656,410
Total current liabilities	1,037,343	948,595
Total liabilities	1,943,979	1,884,190
Equity		
Issued capital	180	180
Share-based payments reserve	267,922	140,095
Retained profits	757,563	1,631,945
Total equity	1,025,665	1,772,220

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019 and 30 June 2018.

Contingent liabilities

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

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in the financial statements, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 31. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2019	2018
		%	%
Tap2Jump Pty Ltd	Australia	100.00%	-

On 1 August 2018 Playside Studios Pty Ltd acquired 100% of the issued share capital of Tap2Jump Pty Ltd, a dormant entity.

Note 32. Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated	
	2019	2018
	\$	\$
Profit/(loss) after income tax expense for the year	(51,797)	1,580,956
Adjustments for:		
Depreciation and amortisation	189,014	166,674
Share-based payments	127,827	127,827
Foreign exchange differences	117,352	(17,803)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	203,634	(204,161)
Decrease/(increase) in deferred tax assets	(45,971)	19,691
Increase in prepayments	(4,385)	-
Increase in other operating assets	(140,849)	(55,000)
Increase in trade and other payables	296,171	5,501
Decrease in derivative liabilities	-	(104,004)
Increase/(decrease) in provision for income tax	(230,240)	322,931
Increase in employee benefits	110,614	108,446
Net cash from operating activities	<u>571,370</u>	<u>1,951,058</u>

Note 33. Share-based payments

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

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
03/04/2017	03/04/2022	\$18.89	2,700	-	-	-	2,700
01/10/2017	01/10/2022	\$18.89	2,700	-	-	-	2,700
			<u>5,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,400</u>

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/10/2017	03/04/2022	\$18.89	-	2,700	-	-	2,700
			<u>-</u>	<u>2,700</u>	<u>-</u>	<u>-</u>	<u>2,700</u>

No options are exercisable at the end of the financial year.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.62 years (2018: 6.02 years).

For the options granted during the 2018 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
01/10/2017	01/10/2022	\$91.86	\$18.89	85.00%	-	2.47%	\$80.90

Note 33. Share-based payments (continued)

For the options granted during the 2017 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
03/04/2017	03/04/2022	\$69.03	\$18.89	85.00%	-	2.23%	\$58.85

Accounting policy for 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 either the Binomial or Black-Scholes 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 either the Binomial or Black-Scholes 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.

Note 34. Earnings per share

	Consolidated	
	2019	2018
	\$	\$
Profit/(loss) after income tax attributable to the owners of Playside Studios Pty Ltd	<u>(51,797)</u>	<u>1,580,956</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	180,000	180,000
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	<u>-</u>	<u>4,719</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>180,000</u>	<u>184,719</u>
	Cents	Cents
Basic earnings per share	(28.78)	878.31
Diluted earnings per share	(28.78)	855.87

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Playside Studios Pty Ltd, 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 financial year.

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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 35. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. The impact of the pandemic subsequent to the reporting date continues to be monitored, where the positives associated with consumers spending more time at home to play games has to some extent been offset by a slowdown in Work-for-Hire opportunities emanating from some of the larger entertainment companies overseas, particularly in the USA.

Subsequent to the reporting period, a dividend of \$3.95 per share was paid during the year ended 30 June 2020.

Apart from the dividend declared as disclosed in note 22, no other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Playside Studios Pty Ltd
Directors' declaration
30 June 2019

In the directors' opinion:

- 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 consolidated entity's financial position as at 30 June 2019 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.

On behalf of the directors



Aaron Pasias
Director

20 October 2020
Melbourne, Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Playside Studios Pty Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Playside Studios Pty Ltd (the Entity) and its subsidiaries (the Group), which comprises the consolidated statements of financial position as at 30 June 2019 and 30 June 2018, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and notes to the financial report, including a summary of significant accounting policies and the declaration by those charged with governance.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Group as at 30 June 2019 and 30 June 2018, and its financial performance and its cash flows for the years then ended in accordance with Australian Accounting Standards.

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 ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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

Those charged with governance are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors' report, 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 on the other information obtained prior to the date of this auditor's report, 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.

Other matter

The 2018 financial report was not prepared as a consolidated set of financial statements as it was a single entity.

Responsibilities of management and those charged with governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the Financial Report

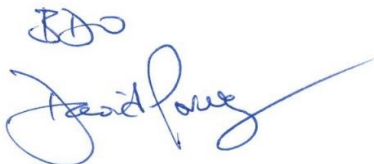
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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 (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd



David Garvey
Director

Melbourne, 20 October 2020