

**VGW HOLDINGS LIMITED
AND CONTROLLED ENTITIES**

ABN 36 147 193 511

**CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2017**

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES

Contents

Directors' report	1
Auditors independence declaration	5
Financial report	
Statement of profit and loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	18
Independent auditor's review report to the members of VGW Holdings Limited	19

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

Directors' report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the "consolidated entity" or "Group") consisting of VGW Holdings Limited (referred to as the "company" or "parent entity") and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

Directors

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

Mr Nigel Blythe-Tinker - Executive chairman
Mr Laurence Escalante - Executive director
Mr Mats Johnson - Executive director
Mr Lorenzo Escalante - Non-executive director
Mr Kenneth Alexander – Non-executive director
Mr Mark Potts – Non-executive Director, appointed 19 July 2017

Principal Activities

The principal activity of the Group during the financial year was the development and distribution of social casino games offering virtual currency gaming and cash prize contests.

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

As of reporting date, the majority of operations were conducted in Australia.

The following significant changes in the nature of the principal activities occurred during the period ended 31 December 2017:

- On 14 August 2017, the Group acquired certain assets of Open Wager, Inc. (OW), an entity incorporated in Nevada, USA but with principal operations in California and Colorado, providing social casino platform and content licensing, for a consideration of USD\$0.53m. Further to the asset purchase, the Company then considered the possibility of engaging a number of OW's employees given their detailed knowledge of the acquired assets. All OW's employees were to be terminated as a result of its cessation of operations. Accordingly, the Company incorporated VGW US, Inc., a wholly owned subsidiary, on 28 August 2017, and on 1 September 2017, VGW US, Inc. employed the employees.
- On 16 August 2017, the Malta Gaming Authority granted VGW Group, Class 1 and Class 3 remote gaming licences which the Group had applied for. Relative to this, the Group is in the process of migrating its social gaming operations to Malta;

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

Directors' report

- As part of the Group's restructure, on 29 December 2017, VGW Holdings US Inc. and VGW Luckyland Inc. were incorporated. Further, VGW Corporation Pty Ltd was incorporated on 4 January 2018.

There were no other significant changes in the nature of the consolidated entity's principal activities during the period.

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

Directors' report

Review of operations

For the six-month period to 31 December 2017, revenue increased to \$155.6m (H1 FY2017 \$37.8m) or an increase of 312%. The strong revenue growth was driven by a significant and targeted marketing spend and a full six months revenue from Global Poker, which was soft-launched in December 2016. Cost of sales largely increased in line with revenue.

Operating costs of \$49.1m (H1 FY2017 \$14.8m) increased to support revenue growth. This increase was primarily driven by significant targeted advertising and marketing expenditure of \$32.7m (H1 FY2017 \$7.8m). Other key cost increases included: employee benefits expense (driven by headcount growth in marketing, technology operations and product); infrastructure costs and legal and professional fees. The latter cost category increased due to a number of factors including: increased customer service contractor headcount (to support increased customer numbers); and legal, tax and accounting advisory fees associated with expansion of operations in Malta and the USA; and planned IPO-related costs.

Net income after tax for the period amounted to \$4.7m (H1 FY2017 loss of \$1.4m).

Financial Position

The net assets of the consolidated entity have increased by \$6.4m from 30 June 2017 to \$9.0m at 31 December 2017.

Significant changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial period:

- i. Grant of Remote Gaming License 1 and 3; and
- ii. Establishment of entities in the United States

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

Directors' report

Events after the interim period

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

- i. VGW Corporation Pty Ltd was incorporated on 4 January 2018; and
- ii. On 29 January 2018, the Board approved a new lease agreement with Primewest (Australia Place) Pty Ltd for VGW Holdings Limited's Perth Office.

Dividends

No provision for dividends has been made as at 31 December 2017.

Rounding of Amounts

The Company is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar.

Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 5 for the half year ended 31 December 2017.

Signed in accordance with a resolution of the directors:



Laurence Escalante
Director

22nd day of February 2018

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration To the Directors of VGW Holdings Limited

As lead auditor for the review of VGW Holdings Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the International Accounting and Ethics Standards Board (IAESB).



Grant Thornton Audit Pty Ltd
Chartered Accountants



R J Isbell
Partner – Audit & Assurance

Sydney, 22 February 2018

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS
For the half-year ended 31 December 2017

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME
 FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	Note	Consolidated entity	
		6 months ended 31 Dec 2017 \$'000	6 months ended 31 Dec 2016 \$'000
From continuing operations			
Revenue	5	155,568	37,849
Cost of Sales	5	(98,031)	(24,448)
Gross Profit		57,537	13,401
Finance income	6	71	37
Finance costs	6	(253)	(38)
Foreign currency loss	6	(1,553)	(423)
Other income		4	-
Marketing and advertising fees	6	(32,724)	(7,843)
Legal and professional fees		(3,900)	(2,189)
Employee benefits expense		(6,781)	(2,805)
Share-based payments expense		(398)	-
Depreciation and amortisation expense		(727)	(525)
Technology and other communication expense		(1,451)	(366)
Property and occupancy expense		(550)	(186)
General and administration expense		(811)	(492)
Total Expenses		(49,073)	(14,830)
Profit (Loss) before income tax		8,464	(1,429)
Income tax (expense)/benefit		(3,807)	-
Profit (Loss) for the period attributable to members of the parent entity		4,657	(1,429)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		12	-
Other comprehensive income for the half year, net of tax		12	-
Total comprehensive income (loss) for the period attributable to the owners of VGW Holdings Limited		4,669	(1,429)
Earnings (loss) per share		Cents	Cents
From continuing operations:			
- Basic earnings/(loss) per share	14	0.93	(0.39)
- Diluted earnings/(loss) per share	14	0.91	(0.39)

This Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes to the financial statements.

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS
For the half-year ended 31 December 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	31 Dec 2017 \$'000	30 June 2017 \$'000
Assets			
Current assets			
Cash and cash equivalents	7	20,499	7,433
Trade and other receivables	8	1,901	1,901
Other current assets	9	801	2,182
Total current assets		23,201	11,516
Non-current assets			
Property, plant and equipment		381	177
Intangible assets	10	8,834	5,247
Total non-current assets		9,215	5,424
Total assets		32,416	16,940
Liabilities			
Current liabilities			
Trade and other payables	11	13,386	9,861
Provisions	12	10,005	4,396
Borrowings		-	60
Total current liabilities		23,391	14,317
Total liabilities		23,391	14,317
Net assets		9,025	2,623
Equity			
Share capital	13	21,877	19,314
Convertible note		250	250
Reserves		3,334	4,152
Accumulated losses		(16,436)	(21,093)
TOTAL EQUITY		9,025	2,623

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

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS
For the half-year ended 31 December 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

Consolidated entity	Share Capital \$'000	Convertible Note \$'000	Share Option Reserve \$'000	Foreign Currency Reserves \$'000	Accumulated losses \$'000	Total Equity \$'000
Balance at 1 July 2016	19,123	250	-	-	(12,360)	7,013
Issue of share capital	883	-	-	-	-	883
Transaction costs on share issue	(18)	-	-	-	-	(18)
Profit/(Loss) attributable to equity holders	-	-	-	-	(1,429)	(1,429)
Balance as at 31 December 2016	19,988	250	-	-	(13,789)	6,449
Balance at 1 July 2017	19,314	250	4,152	-	(21,093)	2,623
Issue of share capital	1,639	-	(304)	-	-	1,335
Reclassification of options which have lapsed	924	-	(924)	-	-	-
Employee Long-Term Incentive Plan Share Options	-	-	398	-	-	398
Other comprehensive income	-	-	-	12	-	12
Profit/(Loss) attributable to equity holders	-	-	-	-	4,657	4,657
Balance as at 31 December 2017	21,877	250	3,322	12	(16,436)	9,025

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

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS
For the half-year ended 31 December 2017

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Consolidated entity	
	6 months ended 31 Dec 2017	6 months ended 31 Dec 2016
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	155,623	37,754
Payments to suppliers and employees	(143,650)	(36,745)
Interest received	66	37
Net cash from operating activities	<u>12,039</u>	<u>1,046</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(267)	(49)
Payment for intangibles and development expenditure	(1,396)	(317)
Investment in term deposit	1,507	-
Net cash used in investing activities	<u>(156)</u>	<u>(366)</u>
Cash flows from financing activities		
Proceeds from issue of shares	1,243	660
Capital raising costs	-	(62)
Net (repayments)/proceeds from borrowings	(60)	118
Net cash from financing activities	<u>1,183</u>	<u>716</u>
Net increase in cash and cash equivalents	13,066	1,396
Cash and cash equivalents at beginning of year	<u>7,433</u>	<u>4,489</u>
Cash and cash equivalents at end of period	<u>20,499</u>	<u>5,885</u>

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

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 1. General Information and Basis of Preparation

The financial report covers VGW Holdings Limited as a consolidated entity consisting of VGW Holdings Limited and the entities it controlled. The financial report is presented in Australian dollars, which is VGW's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

VGW Holdings Limited is an unlisted public company limited by shares, incorporated and domiciled in Australia.

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

The interim financial statements have been approved and authorised for issue, in accordance with a resolution of the directors, on 22 February 2018.

These interim financial statements for the half-year reporting period ended 31 December 2017 have been prepared on an accrual basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which fair value basis of accounting has been applied.

These interim financial statements do not include all the notes of the type normally included in the annual financial statements in accordance with Australian Accounting Standards. Accordingly, these financial statements are to be read in conjunction with the consolidated financial statements of the group for the year ended 30 June 2017.

Note 2. Significant Accounting Policies

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2017.

The Company is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar.

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 3. Critical Accounting Estimates and Judgements

The preparation of the financial statement requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates may differ to actual results.

In preparing this consolidated interim financial statement, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statement as at and for the year ended 30 June 2017. The policy on Cashable sweepstakes has been retrospectively applied for the financial year commencing 1 July 2015.

Capitalisation of Software Development Costs

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

Provisioning of Cashable Sweeps for Global Poker

Management estimates the provision for cashable sweepstakes, taking into account the most reliable evidence available at each reporting period.

Based on Global Poker Players' cash-out historical behaviour observed over a period of time, the Group determined that it is more appropriate to provision 60% of the period end balance of cashable sweeps than the previous 100%. The Group will continue to monitor whether there are any indicators that the provision percentage should be revised.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions. Whilst it is probable that there will be future taxable profit available against which the benefits of the deferred tax asset can be utilised, management is in the process of assessing the availability of carried forward losses available for use and therefore no deferred tax assets have been recognised for the period ending 31 December 2017.

Note 4. Operating Segments

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

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS
For the half-year ended 31 December 2017

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 5. Revenue from Continuing Operations and Cost of Sales

	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
Revenue from continuing operations		
From Chumba website	80,528	35,449
From Facebook	1,190	2,366
From Global Poker website	73,850	34
Total revenue	<u>155,568</u>	<u>37,849</u>
Cost of sales		
Sweepstakes paid	88,877	22,346
Revenue share	663	725
Merchant fees	6,908	1,396
Cashable sweepstakes	1,583	(19)
Total cost of sales	<u>98,031</u>	<u>24,448</u>
Gross Profit	<u>57,537</u>	<u>13,401</u>

Note 6. Other income/(costs) and expenses

	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
Finance income		
Interest income	71	37
	<u>71</u>	<u>37</u>
Finance costs		
Interest expense	-	(23)
Bank and other financial intermediary charges	(253)	(15)
	<u>(253)</u>	<u>(38)</u>
Foreign currency		
Foreign currency realised gains/(loss)	(1,300)	(54)
Foreign currency unrealised gains/(loss)	(253)	(369)
	<u>(1,553)</u>	<u>(423)</u>
Marketing and advertisements		
Marketing Facebook	(31,061)	(7,611)
Marketing Non-Facebook	(1,663)	(232)
	<u>(32,724)</u>	<u>(7,843)</u>

The Group spends heavily on marketing via Facebook to acquire and retain its customers, which drives revenue growth.

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS
For the half-year ended 31 December 2017

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 7. Cash and Cash Equivalents

	31 Dec 2017	30 June 2017
	\$'000	\$'000
Cash at bank	10,552	5,608
Paypal account	9,947	1,825
	<u>20,499</u>	<u>7,433</u>

Note 8. Trade and Other Receivables

	31 Dec 2017	30 June 2017
CURRENT	\$'000	\$'000
Trade receivables	124	179
Other receivables		
GST Receivable	1,711	1,651
Others	66	71
	<u>1,901</u>	<u>1,901</u>

The trade receivables are current and have been fully paid or settled after balance sheet date. Included in Others is a receivable from Lance East Corporation, a related party, amounting to \$61,000 (30 June 2017: \$61,000).

Note 9: Other Current Assets

	31 Dec 2017	30 June 2017
	\$'000	\$'000
Prepayments	547	592
Rental bond	254	83
Term deposits	-	1,507
	<u>801</u>	<u>2,182</u>

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS
For the half-year ended 31 December 2017

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 10. Intangible Assets

	Software	Licenses	Domain	TOTAL
<u>Cost</u>	\$'000	\$'000	\$'000	\$'000
Balance, 1 July 2017	8,766	160	26	8,952
Additions:				
Acquisition through Business Combinations	671	-	-	671
Additions – separately acquired and internally developed (cash payments)	725	-	-	725
Additions – separately acquired (recognised as a liability)	2,766	-	-	2,766
Additions – separately acquired (equity payment)	90	-	-	90
Balance, 31 Dec 2017	<u>13,018</u>	<u>160</u>	<u>26</u>	<u>13,204</u>
<u>Accumulated Amortisation</u>				
Balance, 1 July 2017	(3,705)	-	-	(3,705)
Amortisation	(662)	-	(3)	(665)
Balance, 31 Dec 2017	<u>(4,367)</u>	<u>-</u>	<u>(3)</u>	<u>(4,370)</u>
Net book value, 30 June 2017	<u>5,061</u>	<u>160</u>	<u>26</u>	<u>5,247</u>
Net book value, 31 Dec 2017	<u>8,651</u>	<u>160</u>	<u>23</u>	<u>8,834</u>

Note 11. Trade and Other Payables

	31 Dec 2017	30 June 2017
	\$'000	\$'000
Trade Payable	9,608	9,214
Other payables and accruals	3,778	647
	<u>13,386</u>	<u>9,861</u>

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 12. Provisions

All provisions are considered current. The carrying amounts and movements in the provisions are as follows:

	Sweepstakes	Annual Leave	Income Tax	TOTAL
Balance, 1 July 2017	3,970	426	-	4,396
Net additions	1,583	219	3,807	5,609
Balance, 31 December 2017	5,553	645	3,807	10,005

The provision for Sweepstakes Liability for the Chumba Casino represents cashable sweepstakes of players that are active within sixty days. Under the Sweepstakes rules, the cashable sweepstakes of players not active within sixty days expire. The cancellation of sweepstakes of players not active within sixty days was adopted from 1 July 2015 for Chumba. However, the cancellation of sweepstakes of players not active within sixty days for Global Player has not been applied. Further, effective 31 December 2017, provisioning for Global Poker cashable sweeps is at 60% of period end balance which amounts to \$4.8m. The Group deems that a 60% provision for Global Poker is more appropriate based on historical behaviour of players.

Note 13. Issued Capital

	Consolidated entity			
	31 Dec 2017	30 June 2017	31 Dec 2017	30 June 2017
	Shares	Shares	\$'000	\$'000
Fully paid ordinary shares, net of share issue cost	555,846,019	450,331,892	21,877	19,314
		Number	Value (\$'000)	
Opening balance, 1 July 2017, net of share issue cost		450,331,892	19,314	
Conversion of options into ordinary shares		8,289,612	1,549	
Conversion of performance shares		96,666,666	-	
Reclassification of options which have lapsed		-	924	
Issuance of shares to Cubeia		557,849	90	
Closing balance, 31 Dec 2017		<u>555,846,019</u>	<u>21,877</u>	

Note 14. Earnings per Share

	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
Income (loss) after income tax attributable to the owners of VGW Holdings Limited	4,657	(1,429)
	No. of shares	No. of shares
Weighted average number of shares used in calculating basic earnings per share	499,623,642	363,211,101
Weighted average number of shares used in calculating diluted earnings per share	510,816,012	363,211,101
	Cents	Cents
Basic earnings/(loss) per share	0.93	(0.39)
Diluted earnings/(loss) per share	0.91	(0.39)

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 15. Commitments

	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
Lease Commitments - operating		
Committed at reporting date but not recognised as liabilities		
Within one year	465	321
One to five years	39	269
	504	590

Operating lease commitments include contracted amounts for various office space expiring within 1 to 2 years with, in some cases, options to extend.

Note 16. Controlled Entities

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the parent entity. The assets of the subsidiaries have been consolidated on a line-by-line basis in the consolidated financial statements of the Group. Financial statements have not been prepared for the subsidiary as it has not traded since incorporation.

The proportion of ownership interests held equals the voting rights held by the Group.

Name	Incorporation/ Registration Date	Country of incorporation	Ownership Interest	
			31 Dec 2017	30 June 2017
Virtual Gaming Worlds Inc.	8 Nov 2010	Belize	100.00%	100.00%
VGW Malta Holding Limited	19 Apr 2016	Malta	99.93%	99.93%
VGW Holdings US Inc.	29 Dec 2017	United States	100.00%	-
VGW Corporation Pty Ltd	4 January 2018	Australia	100.00%	-
Wholly owned subsidiaries of VGW Malta Holding Limited:				
VGW Malta Limited	9 Mar 2016	Malta	99.93%	99.93%
VGW RMG Limited	10 Aug 2016	Malta	100.00%	100.00%
VGW Sports Limited	5 Oct 2016	Malta	99.93%	99.93%
VGW Administration Malta Limited	7 Oct 2016	Malta	99.93%	99.93%
VGW GP Limited	23 Nov 2016	Malta	99.93%	99.93%
Wholly owned subsidiaries of VGW Holdings US Inc.				
VGW US, Inc.	28 Aug 2017	United States	100.00%	-
VGW Luckyland, Inc.	29 Dec 2017	United States	100.00%	-

VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES FINANCIAL STATEMENTS

For the half-year ended 31 December 2017

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Note 17. Business Combination

On 14 August 2017, VGW Holdings Limited acquired certain assets of Open Wager, Inc. (OW) (in liquidation) for the purchase consideration of US\$0.53m (A\$0.67m).

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	\$'000
Consideration transferred	671
	671
Identifiable assets acquired and liabilities assumed at cost:	
<i>Intangible assets (software)</i>	671
Total net identifiable assets and liabilities:	671
Goodwill / (bargain purchase)	-

The initial accounting for this business combination is only provisionally complete as the acquisition occurred on 14 August 2017. The accounting will be finalized within 12 months of the acquisition. The assessment of the fair values of the assets acquired is preliminary.

Note 18. Events After the Reporting Period

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

- i. VGW Corporation Pty Ltd was incorporated on 4 January 2018; and
- ii. On 29 January 2018, the Board approved a new lease agreement with Primewest (Australia Place) Pty Ltd for VGW Holdings Limited's Perth Office.

**VGW HOLDINGS LIMITED AND CONTROLLED ENTITIES
DIRECTORS DECLARATION**

In the opinion of the directors of VGW Holdings Limited:

- (a) the attached consolidated interim financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half year ended on that date and in accordance with the accounting policies referred to in Note 2; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director 
.....
Laurence Escalante

Date: 22nd February 2018

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report To the Directors of VGW Holdings Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of VGW Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group does not give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the half-year ended on that date, in accordance with the accounting policies described in Note 2.

Directors Responsibility for the Half-Year Financial Report

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

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation.

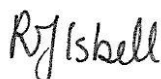
Auditor's Responsibility

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

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



R J Isbell
Partner - Audit & Assurance

Sydney, 22 February 2018