

**Approval and disclosure of the Annual Financial Report for 2017 of
G Entertainment Group Plc**

Approval and disclosure of the Annual Financial Report for 2017 of
G Entertainment Group Plc

Attachments:

1. **Announcement**
2. **Group consolidated accounts and Financial Report**
3. **Company standalone accounts and Financial Report**

Non Regulated

Publication Date: 30/04/2018

30 April 2018

Cyprus Stock Exchange
Nicosia

ANNOUNCEMENT

Re: Approval and disclosure of the Annual Financial Report for 2017 of G Entertainment Group Plc

The Board of Directors of G Entertainment Group Plc (the “Company”), has today decided the approval and disclosure of the Annual Financial Report, which includes the final, audited financial statements of the Company and the final audited and consolidated financial statements of the Company’s Group for the year ended 31 December 2017. The Audited Financial Statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113. The Annual Reports include the final, audited financial statements, the Management Report and the Independent Auditors’ Report.

The Annual Reports will also be available on the Company’s website, www.gegroupplc.com and the website of the Cyprus Stock Exchange, www.cse.com.cy where they can be accessed and printed.

On behalf of the board of directors of G Entertainment Group Plc



Sing Lin
Chief Executive Officer

G ENTERTAINMENT GROUP PLC
ANNUAL REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

G ENTERTAINMENT GROUP PLC

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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G ENTERTAINMENT GROUP PLC

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Executive Directors

Richard James Carter
Brooke Rene Southwell Guy Greville - Resigned on 12 December 2017
Sing Lin - Appointed on 12 December 2017
Zheng Yongxiong - Appointed on 13 January 2017
Jason Ki Ho Fong - Appointed on 4 April 2017
Wei Wang - Appointed on 4 April 2017 and was not re-elected on 9 August 2017

Non-executive Directors

John Pitsillos
Amhipolis Administrative Services Limited

Company Secretary:

Amhipolis Secretarial Services Limited

Independent Auditors:

Deloitte Limited
Certified Public Accountants and Registered Auditors
24 Spyrou Kyprianou Avenue
1075 Nicosia
Cyprus

Legal Advisers:

Nicholas A. Poubourides LLC
Shakespeare Martineau LLP

Registered office:

6 Theotoki Street
1055, Nicosia
Cyprus

Bankers:

Eurobank Cyprus Ltd
The Royal Bank of Scotland Plc

Registration number:

HE346401

G ENTERTAINMENT GROUP PLC

CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Board of Directors presents its Management Report and audited financial statements of G Entertainment Group Plc (the "Company") and its subsidiaries (together with the Company, the "Group") for the year ended 31 December 2017.

Incorporation

The Company was incorporated in Cyprus on 21 August 2015 as a public limited company under the provisions of the Cyprus Companies Law, Cap. 113. On 16 December 2016 the Company's titles became listed on the unregulated, Emerging Companies Market of the Cyprus Stock Exchange.

Principal activities and nature of operations of the Group

The principal activity of the Group continue to comprise the holding of investments.

Changes in group structure

On 9 June 2017, the Group incorporated a subsidiary, G Entertainment (HK) Limited. The transaction involved the subscription of 1 ordinary share with total value of HKD 1,00 (€0,10). The company is currently dormant.

On 14 July 2017, the Company announced that no further investment will be made in Single Yard Holdings Limited ("SYH"). Convertible loan notes were automatically converted into share capital in SYH, comprising of 2.400 fully paid ordinary shares at a conversion price of approximately €1.117 (£1.016) each. The total investment in convertible loan notes of €2.783.788 (£2.438.091) and the existing shareholding in one share of €1.745 (£1.361) comprise a participation in SYH of 28,98% (Note 15). On the same day, the investment in SYH was reclassified to Investment in Associates.

On 8 August 2017, the Group announced that no further investment will be made in SportsSideKick Limited ("SSK"). Convertible loan notes were automatically converted into share capital in SSK, comprising of 3.648 fully paid ordinary shares at a conversion price of approximately €371 (£336) each. The total investment in convertible loan notes of €1.347.243 (£1.225.000) and the existing shareholding in one share of €512 (£437) comprise a participation in SSK of 26,73% (Note 15). On the same day, the investment in SSK was reclassified to Investment in Associates.

Review of current position, future developments and performance of the Group's business

The results of this year are not considered satisfactory and we, in our capacity as Directors are making an effort to reduce the Group's losses. The qualifications in the Independent Auditors' Report are duly noted.

During 2017 we have undergone a period of consolidation, reviewed our current investments, and evolved our strategy. We are currently looking into several exciting new projects. With the Group's very supportive shareholders and investors, we are looking forward to working with them and bringing G Entertainment Group Plc into its next stage of development. It is noted that the Group currently depends upon the financial support of its Chairman and major shareholder who has confirmed his intention to continue his support for the next 12 months ensuring that the Group is able to meet its liabilities in a timely fashion and to pursue further investments or business operations. The new projects are expected to breathe new life into the Group, expanding the scope of our investments and operations.

It is also noted that, whereas, according to the final, audited consolidated financial statements of the Group for the financial year 2017, it emerged that the Group has lost over 50% of its subscribed share capital, applying the relevant provisions of Section 169 F of the Company Laws, Cap. 113 the Company will hold an extraordinary general meeting of the shareholders of the Company according to the provisions of the law, to consider whether the Company should be wound up or any other measures should be taken. Taking due note of the expressed intention of the Chairman and major shareholder of the Group to continue his support to the Group as detailed above, the Board of Directors has decided to propose to the extraordinary general meeting of the shareholders, the continuation of the business of the Group as is today towards the realization of its business aims and objects, without taking any other measures.

2016 represented the establishment and early stage development of G Entertainment Group Plc. The Company was listed on the Emerging Companies Market of the Cyprus Stock Exchange on 16th December 2016 which represented a huge achievement for the business, but a small step in its long-term vision.

From the date of its listing till now, the Group managed to receive a total net funding of €4,67 million in 2017 and another €284 thousand from 1 January 2018 till now. Part of the funding was used for investing further in SYH, SSK and GL (42ND ST) LTD, and the remainder was used for the on-going obligations and operating costs of the Group.

G ENTERTAINMENT GROUP PLC

CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

However, in 2017, we have re-evaluated the strategic goals of the Group based on the Group's investment capabilities and the commitments and decided to cease investing further in SYH and SSK (refer above).

At present, SYH is prepared to launch a proprietary exchange and advanced deposited (tote) wagering platform, which was developed by its wholly-owned subsidiary, Tech Yard 5, Plc. SYH has secured one of only 44 offshore online gaming licenses issued by the Philippine government. SYH is currently the only licensee that has qualified to facilitate wagers on regulated sports, including horse racing. Over the past year, SYH has secured commercial arrangements with content rights-holders representing horse racing stakeholders in the United Kingdom, Ireland, United States, Australia and New Zealand, and is in advanced/final stage negotiations with various others. The Board of Directors of SYH is currently seeking additional capital to fund the commencement of live wagering operations.

At present, the beta version of the SSK platform has been live since December 2016. The live launch of the SSK platform can take place within 2 months of further investment from either the Group or another investor.

The Group participated in GL (42ND ST) LTD with total of 21.67% (i.e. GBP 1.3 million out of the GBP 6 million capitalization), a company that produces and presents the live stage production of the musical "42nd Street" by Michael Stewart Mark Bramble, Harry Warren and Al Dubin at the world-famous Theatre Royal Drury Lane in London West End. The Group is expecting to receive part of its initial investment with the termination of the musical by the end of December 2018.

We are continuously seeking to identify and support new strategic projects within the entertainment industry and the Group is in negotiations with new strategic investors and existing shareholders which would allow the Group to continue its operations and further its investment goals, without any firm commitment about the outcome. We believe that, provided that reliable funding is secured, the Group has good prospects to develop such projects relying on unique contacts and opportunities to exploit the increasing trade between Europe, China and the United States.

Investments

In the year 2017, the Group raised €2,7 million by issuing new shares to strategic investors Crystal Voyage Limited and Nearchi Investments Ltd to continue the Group's investing activities as follows:

- On 10 January 2017 the Group invested an amount of €690.393 (£600.000) in SportsSideKick Limited in unsecured, not guaranteed, convertible loan notes. SSK is a technology company which is operating as a channel to connect sports clubs with fans from around the world and big brands in a socially driven, engaging and commercial environment.
- On 13 January 2017 the Company invested an amount of €918.745 (£100.000) in Single Yard Holdings Limited in unsecured, not guaranteed, convertible loan notes. On 26 May 2017 the Company invested a further €116.630 (£100.000) in Single Yard Holdings Limited in unsecured, not guaranteed, convertible loan notes. On 1 July 2017 the Company invested a further €496.006 (£435.091,23) in Single Yard Holdings Limited in unsecured, not guaranteed, convertible loan notes. SYH is a start-up venture launched to be a licensed, state-of-the-art exchange and advance deposit (horse racing) wagering platform focused on the Asian-Pacific market. SYH's objective is to penetrate selected Asian-Pacific markets by offering a licensed, low-cost, multilingual betting platform tailored to high volume individual players, as well as other licensed operators and syndicates.
- On 1 March 2017 the Group entered into an agreement to make an additional investment in GL (42ND ST) LTD for a cash consideration of €700.104 (£600.000) thus increasing the Group's participation in the net proceeds from 8,33% to 18,33%. Additionally, on 10 March 2017 the Group entered into an agreement to make an additional investment in GL (42ND ST) LTD for a cash consideration of €230.422 (£200.000) thus increasing the Group's participation in the net proceeds from 18,33% to 21,67%. GL (42ND ST) LTD is the production of 42nd Street musical which is a revival of a 1933 Hollywood film adaption first brought to the West End in 1984 which ran for a total of five years.

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CONSOLIDATED MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are disclosed in note 3 of the consolidated financial statements.

Existence of branches

The Group does not maintain any branches.

Use of financial instruments by the Group

The Group is exposed to market price risk, interest rate risk, credit risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below:

Market price risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Group's available-for-sale financial assets are susceptible to market price risk arising from uncertainties about future prices of the investments.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Group is exposed to credit risk from its operating activities - primarily from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and the British Pound. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Results

The Group's results for the year are set out on page 12.

Dividends

The Company did not have any distributable profits as at 31 December 2017, thus the Board of Directors cannot recommend the payment of a dividend.

Research and development activities

The Group did not carry out any research and development activities during the year.

Share capital

Authorised capital

On 21 August 2015, under its Memorandum the Company fixed its share capital at 100.000 ordinary shares of €1,00 each.

Issued capital

On 3 January 2017, the Company issued 20.000.000 shares of nominal value €0,0001 each to Crystal Voyage Ltd at the price of €0,10 per share, resulting in a share premium of €1.998.000.

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On 1 March 2017, the Company issued 10.526.300 shares of nominal value €0,0001 each to Crystal Voyage Ltd at the price of €0,095 per share, resulting in a share premium of €998.986.

On 20 April 2017, the Company converted the issued share capital from 1.200.116.300 ordinary shares of nominal value €0,0001 each to 12.001.163 ordinary shares of nominal value €0,01 each.

On the same date, the Company issued 660.063.965 bonus shares of nominal value €0,01 each to existing shareholders at the value of €0,01 per share, utilising most of its share premium account.

On 6 June 2017, the Company issued 5.294.118 ordinary shares of nominal value €0,01 each to Crystal Voyage Ltd at the price of €0,17 per share, resulting in a share premium of €847.059.

On 14 July 2017, the Company issued 3.529.411 ordinary shares of nominal value €0,01 each to Nearchi Investments Ltd at the price of €0,17 per share, resulting in a share premium of €564.706.

On 8 December 2017, the Company issued 1.351.048 ordinary shares of nominal value €0,01 each to Crystal Voyage Ltd at the price of €0,126 per share, resulting in a share premium of €156.722. For the consideration of the shares issued, Crystal Voyage Ltd has repaid the principal amount owed to Jenwell Ltd of €111.234 (GBP100.000) (note 22) and paid the remaining amount to the Company.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2017 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2017 except from:

- Mr. Brooke Rene Southwell Guy Greville who resigned on 12 December 2017 and the same day was replaced by Mr. Sing Lin.
- Mr. Zheng Yongxiong and Mr. Jason Ki Ho Fong who were appointed to the Board of Directors on 13 January 2017 and 4 April 2017 respectively.
- Ms. Wei Wang who was appointed to the Board of Directors on 4 April 2017 and was not re-elected to continue in office on 9 August 2017.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities of the Board of Directors. For information relating to their remuneration please refer to note 25.3.

Directors' Shareholdings

The beneficial interest in the Company's share capital owned by the Directors, their spouses and minor children and by companies in which they hold directly or indirectly at least 20% of the voting rights in a general meeting at 31 December 2017 and 25 April 2018 (5 days before the date of approval of the financial statements) was as follows:

	25 April 2018		31 December 2017	
	No.of shares	% of capital	No.of shares	% of capital
Zheng Yongxiong	301.824.694	44,24%	301.824.694	44,24%
Richard Carter	5.894.560	0,86%	5.894.560	0,86%
	<u>307.719.254</u>	<u>45,01%</u>	<u>307.719.254</u>	<u>45,01%</u>

Shareholding with more than 5% of share capital

The following shareholders held directly or indirectly over 5% of the Company's issued share capital at 31 December 2017 and 25 April 2018 (5 days before the date of approval of the financial statements):

25 April 2018 31 December 2017

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Zheng Yongxiong	44,24%	44,24%
XU Vicky Hui	17,44%	17,44%
Blackrun Ventures Limited	<u>9,75%</u>	<u>9,75%</u>
	<u>71,42%</u>	<u>71,42%</u>

Vicky Hui Xu owns 100% of Jenwell Ltd, 100% of Areteos Venture Investment Group Limited, 50% of Lottalot Limited (indirectly through her wholly owned company, Areteos Venture Investment Group Limited) and 50% of Blackrun Venture Limited (indirectly through her wholly owned companies, Maetel Capital Limited and The Hon Organisation).

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 28 to the consolidated financial statements.


Corporate Governance Code

The Company does not apply the Corporate Governance Code of the Cyprus Stock Exchange. The application of the Corporate Governance Code is not obligatory for the Company as its titles are listed on the unregulated, Emerging Companies Market of the Cyprus Stock Exchange.

Independent Auditors

The independent auditors, Deloitte Limited, have expressed their willingness to continue in office and a resolution authorising the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,



Sing Lin
Director

Nicosia, 30 April 2018

G ENTERTAINMENT GROUP PLC

DECLARATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE COMPANY OFFICIALS RESPONSIBLE FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Article 140 (1) of the Law and Regulations of the Cyprus Stock Exchange we, the members of the Board of Directors and the Company officials responsible for the consolidated financial statements of G Entertainment Group Plc (the "Company") for the year ended 31 December 2017, on the basis of our knowledge, declare that:

(a) The annual consolidated financial statements of the Group which are presented on pages 12 to 46:

(i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and

(ii) except for the possible effects of the matters described in the Basis for Qualified Opinion of the Independent Auditor's Report provide a true and fair view of the particulars of assets and liabilities, the financial position and profit or loss of the Group and the entities included in the consolidated financial statements as a whole and

b) The consolidated Management Report provides a fair view of the developments and the performance as well as the financial position of the Group as a whole, together with a description of the main risks and uncertainties which the Group faces.

Members of the Board of Directors:

Name	Position
Richard James Carter	Executive Director
Sing Lin	Executive Director
Zheng Yongxiang	Executive Director
Jason Ki Ho Fong	Executive Director
John Pitsillos	Non-executive Director
Amphipolis Administrative Services Limited	Non-executive Director

Signature




AMPHIPOLIS ADMINISTRATIVE SERVICES LTD

Responsible for drafting the financial statements

Name	Position
Alison Bolt	Financial Controller

Signature



Nicosia, 30 April 2018

Independent Auditor's Report

To the Members of G Entertainment Group Plc

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of G Entertainment Group Plc (the "Company") and its subsidiaries (the "Group"), which are presented in pages 12 to 46 and comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Qualified Opinion

The investments in associates are presented in the consolidated statement of financial position at 31 December 2017 at €1.531.643 (note 15) after recording share of loss of €232.663 and impairment of €2.402.754. On the date of the acquisition of the associates, the Group considered that the net book value of their net assets represented the net fair value of the identifiable assets and liabilities of the associates, resulting in goodwill of €3.581.852. Due to the unavailability of information on the fair value of the associate's identifiable assets and liabilities at the acquisition date and the unavailability of audited financial information of the associates at acquisition dates and later, there were limited procedures we were able to perform. As a result we were unable to obtain sufficient and appropriate audit evidence on the investment in associates of €1.531.643, share of loss and other comprehensive income of €232.663 and relevant disclosures as presented in note 15.

Moreover in accordance with IAS 39 "Financial Instruments" and IAS 36 "Impairment", an asset should be tested for impairment when there is an indication of impairment. Management has tested the investments in associates for impairment and recognised a resulting impairment of €2.402.754. Due to the uncertainties involved in the future operation of the associates and the unavailability of relevant financial information to enable an independent calculation of the recoverable amount of the associates, we were unable to obtain sufficient and appropriate audit evidence on the recoverable amount of the associates of €1.531.643. Any additional impairment or reversal should be recorded in the Profit or Loss for the year ended 31 December 2017.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Board Members: Christis M. Christoforou (Chief Executive Officer), Eleftherios N. Philippou, Nicos S. Kyriakides, Nicos D. Papakyriacou, Athos Chrysanthou, Costas Georghadjis, Antonis Taliotis, Panos Papadopoulos, Pieris M. Markou, Nicos Charalambous, Nicos Spanoudis, Maria Paschalis, Alexis Agathocleous, Alkis Christodoulides, Christakis Ioannou, Panicos Papamichael, Christos Papamarkides, George Martides, Kerry Whyte, Andreas Georgiou, Christos Neocleous, Demetris Papapericleous, Andreas Andreou, Alecos Papalexandrou, George Pantelides, Panayiota Vayianou, Agis Agathocleous, Gaston Hadjianastasiou, Kypros Ioannides, Yiannis Sophianos, Kyriakos Vlachos, Yiannis Leonidou, Michael Christoforou (Chairman Emeritus).

Independent Auditor's Report (continued)

To the Members of G Entertainment Group Plc

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Fair value measurement of available-for-sale investment</p> <p>The Group holds available-for-sale investment of €608.832 as at 31 December 2017 (Notes 3 and 16) which is presented at fair value (original cost €1.462.984). The fair value of available for sale investment was determined with reference to the net cash flows expected to be derived from the investment discounted using appropriate discount factor and translated at year end using the closing rate. The fair value of the available-for-sale investment is considered a key audit matter due to the significant judgements required by management to estimate the fair value of the investment as at the year end. Available-for-sale investment as at 31 December 2017 represents participation rights in unlisted entity.</p>	<ul style="list-style-type: none"> • We have assessed the management's processes and controls around the fair valuation of unlisted investment. • We assessed whether the measurement of fair value by management is reasonable and in accordance with IFRS requirements at 31 December 2017. • We involved our internal valuation experts to assess the appropriateness of management assumptions and inputs for the estimation of the fair value at 31 December 2017. • We assessed whether the fair value of the investment at year-end has changed compared to the prior year. • We evaluated whether the disclosures in the financial statements adequately reflect the hierarchy of the fair value of available for sale investment, especially considering that the fair value measurements are not derived from market data.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence on the investment in associates, share of loss and other comprehensive income, relevant disclosures and the recoverable amount of the associates. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Independent Auditor's Report (continued)

To the Members of G Entertainment Group Plc

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors 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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are 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 ISAs 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 these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent Auditor's Report (continued)

To the Members of G Entertainment Group Plc

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the consolidated management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated management report. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Maria Paschalis.



Maria Paschalis
Certified Public Accountant and Registered Auditor
for and on behalf of
Deloitte Limited
Certified Public Accountants and Registered Auditors

Nicosia, 30 April 2018

G ENTERTAINMENT GROUP PLC

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

		2017	21/08/2015 - 31/12/2016
	Note	€	€
Administration expenses		(1.769.838)	(909.133)
Other expenses	6	<u>-</u>	<u>(1.944.321)</u>
Operating loss	7	(1.769.838)	(2.853.454)
Net finance costs	9	(176.411)	(59.533)
Impairment of investments in associates	15	(2.402.754)	-
Loss previously reported in other comprehensive income	16	(70.397)	-
Share of loss from investment in associates	15	(232.663)	-
Impairment loss on Available-for-sale investment	16	<u>(854.152)</u>	<u>-</u>
Loss before income tax		(5.506.215)	(2.912.987)
Income tax	10	<u>-</u>	<u>-</u>
Loss for the year/period		<u>(5.506.215)</u>	<u>(2.912.987)</u>
Other comprehensive income			
<i>Items that may be classified subsequently to profit or loss:</i>			
Available-for-sale investments - Fair value Loss		(40.309)	(30.088)
Available-for-sale investments - Reclassified to profit or loss		70.397	-
Exchange difference arising on the translation and consolidation of foreign companies' financial statements		<u>47.209</u>	<u>10.432</u>
Other comprehensive income/(loss) for the year/period		<u>77.297</u>	<u>(19.656)</u>
Total comprehensive loss for the year/period		<u>(5.428.918)</u>	<u>(2.932.643)</u>
Loss per share (cent)	11	<u>(0,81)</u>	<u>(0,50)</u>

The notes on pages 16 to 46 form an integral part of these consolidated financial statements.

G ENTERTAINMENT GROUP PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	2017 €	2016 €
ASSETS			
Non-current assets			
Intangible assets	12	-	-
Investments in associates	15	1,531,643	-
Available-for-sale investments	16	608,832	2,613,239
		<u>2,140,475</u>	<u>2,613,239</u>
Current assets			
Receivables	18	31,223	41,147
Loans receivable	17	106,000	103,000
Cash and cash equivalents	19	7,501	2,228,914
		<u>144,724</u>	<u>2,373,061</u>
TOTAL ASSETS		<u>2,285,199</u>	<u>4,986,300</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	20	6,822,397	116,959
Other reserves	21	3,654,208	7,612,118
Accumulated losses		(8,419,202)	(2,912,987)
Total equity		<u>2,057,403</u>	<u>4,816,090</u>
Current liabilities			
Payables	23	218,233	147,673
Borrowings	22	3,626	-
Current tax liabilities	24	5,937	22,537
		<u>227,796</u>	<u>170,210</u>
TOTAL EQUITY AND LIABILITIES		<u>2,285,199</u>	<u>4,986,300</u>

On 30 April 2018 the Board of Directors of G Entertainment Group Plc authorised these consolidated financial statements for issue.


.....
Sing Lin
Director


.....
Richard James Carter
Director

The notes on pages 16 to 46 form an integral part of these consolidated financial statements.

G ENTERTAINMENT GROUP PLC

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

	Note	Share capital €	Other reserves (Note 21) €	Accumulated losses €	Total €
Balance at 21 August 2015		-	-	-	-
Comprehensive income					
Net loss for the period		-	-	(2.912.987)	(2.912.987)
Other comprehensive loss for the period		-	(19.656)	-	-
Transactions with owners					
Issue of share capital	20	111.696	3.614.064	-	3.725.760
Issue of ordinary shares to key management personnel and other parties		5.263	1.626.267	-	1.631.530
Shares to be issued		-	2.000.000	-	2.000.000
Additional Capital Contribution		-	391.443	-	391.443
Balance at 31 December 2016/ 1 January 2017		116.959	7.612.118	(2.912.987)	4.816.090
Comprehensive income					
Net loss for the year		-	-	(5.506.215)	(5.506.215)
Other comprehensive income for the year		-	77.297	-	77.297
Transactions with owners					
Issue of share capital	20	104.798	2.565.433	-	2.670.231
Issue of bonus shares	20	6.600.640	(6.600.640)	-	-
Balance at 31 December 2017		6.822.397	3.654.208	(8.419.202)	2.057.403

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 16 to 46 form an integral part of these consolidated financial statements.

G ENTERTAINMENT GROUP PLC

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

	Note	2017 €	21/08/2015 - 31/12/2016 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(5,506,215)	(2,912,987)
Adjustments for:			
Exchange difference arising on the translation and consolidation of foreign companies' financial statements		88,873	67,056
Share of loss from investment in associates	15	232,663	-
Impairment of investments in associates	15	2,402,754	-
Impairment loss on available-for-sale investment	16	854,152	-
Impairment charge - intangible assets	12	-	312,791
Available-for-sale investment - Reclassified to profit or loss	16	70,397	-
Interest income	9	(3,000)	(3,000)
Interest expense	9	3,626	-
Net foreign exchange losses	9	171,993	59,999
Equity-settled awards to key management personnel and other parties	6	-	1,631,530
		(1,684,757)	(844,611)
Changes in working capital:			
Decrease in receivables		9,924	203,689
Decrease in payables		(45,618)	(456,329)
Increase in tax liabilities		-	22,537
Cash used in operations		(1,720,451)	(1,074,714)
Income tax paid		(16,600)	-
Net cash used in operating activities		(1,737,051)	(1,074,714)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of available-for-sale investment	16	(3,152,300)	(2,648,450)
Acquisition of subsidiaries, net cash outflow on acquisition	13	-	(65,591)
Loans granted		-	(100,000)
Interest received		-	3,000
Net cash used in investing activities		(3,152,300)	(2,811,041)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	20	2,670,231	3,725,760
Additional capital contribution		-	391,443
Proceeds from shares to be issued		-	2,000,000
Proceeds from borrowings	22	111,234	-
Repayments of borrowings	22	(113,527)	-
Interest paid		-	(2,534)
Net cash generated from financing activities		2,667,938	6,114,669
Net (decrease)/increase in cash and cash equivalents		(2,221,413)	2,228,914
Cash and cash equivalents at beginning of the year/period		2,228,914	-
Cash and cash equivalents at end of the year/period	19	7,501	2,228,914

The notes on pages 16 to 46 form an integral part of these consolidated financial statements.

G ENTERTAINMENT GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Incorporation and principal activities

Country of incorporation

G Entertainment Group Plc (the "Company") was incorporated in Cyprus on 21 August 2015 as a Public limited company under the provisions of the Cyprus Companies Law, Cap. 113. On 16 December 2016 the Company was listed on the Emerging Companies Market of the Cyprus Stock Exchange. Its registered office is at 6 Theotoki Street, 1055, Nicosia, Cyprus.

Principal activities

The principal activity of the Group continue to comprise the holding of investments.

2. Significant accounting policies

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

Going concern basis

The Group incurred a loss of €5,506,215 for the year ended 31 December 2017 resulting in accumulated losses of €8,419,202 at 31 December 2017. The Group is dependent upon the financial support of its investors to enable it to continue to operate as going concern. It is noted that the Group currently depends upon the financial support of its Chairman and major shareholder who has confirmed his intention to continue his support for the next 12 months ensuring that the Group is able to meet its liabilities in a timely fashion and to pursue further investments or business operations.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113. These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets.

Adoption of new and revised IFRSs

In the current period, the Group has adopted all of the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on or after 1 January 2017. The adoption of these Standards did not have a material effect on the accounting policies of the Group.

Standards issued but not yet effective

(i) Adopted by the European Union

New standards

- IFRS 9: "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).
- Clarification to IFRS 15: "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 16: "Leases" (effective for annual periods beginning on or after 1 January 2019).
- Amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2018).
- Annual Improvements to IFRS Standards 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018).

G ENTERTAINMENT GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Adopted by the European Union (continued)

- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS40: Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018).

New IFRICs

- IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018).

(ii) Not adopted by the European Union

New standards

- IFRS 14: "Regulatory Deferral Accounts" (postponed).
- IFRS 17: "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020).
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (deferred indefinitely).
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS19: Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019).

New IFRICs

- IFRIC Interpretation 23: Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019).

The Group is in the process of evaluating the effect that the adoption of the above standards will have on the consolidated financial statements of the Group and it does not intend to early adopt any of them. The Group expects that the most significant impact will result from the below new standards that have been issued but are not yet effective:

- IFRS 9 "Financial Instruments"
IFRS 9 (as revised in 2014) will supersede IAS 39 "Financial Instruments: Recognition and Measurement" upon its effective date and contains the requirements for the classification and measurement of financial assets and financial liabilities, the impairment methodology and general hedge accounting.

Phase 1: Classification and measurement of financial assets and financial liabilities.

All recognized financial assets that are currently within the scope of IAS39 will be subsequently measured at either amortized cost or fair value. Specifically:

- a debt instrument that is held within a business model objective is to collect the contractual cash flows and has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost (net of any write down for impairment) unless the asset is designated at fair value through profit and loss (FVTPL) under the fair value option.
- a debt instrument that is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at fair value through other comprehensive income (FVTOCI), unless the asset is designated at FVTPL under the fair value option.
- all other debt instruments must be measured at FVTPL.

G ENTERTAINMENT GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

- all equity investments are to be measured in the statements of financial position at fair value, with gains and losses recognized in profit and loss except that if an equity instrument is not held for trading, nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, an irrevocable election can be made at initial recognition to measure the investment at FVOCI, with dividend income recognized in profit and loss.

Regarding financial liabilities, one major change is in the presentation of changes in the fair value of the financial liability designated as at FVTPL attributable to changes in the credit risk of that liability. Under IFRS 9 such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit and loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit and loss.

Phase 2: Impairment of financial assets

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39, however it broadens the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is no longer required, however far more disclosure requirements about an entity's risk have been introduced.

Transitional provisions

If an entity elects to apply IFRS 9 early, it must apply all of the requirements in IFRS 9 at the same time, except for those relating to:

- the presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at FVTPL, the requirements of which an entity may early apply without applying the other requirements in IFRS 9; and
- hedge accounting, for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

Basis of consolidation

The Company has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the Annual General Meeting. The Group consolidated financial statements comprise the financial statements of the parent company G Entertainment Group Plc, the financial statements of the subsidiary G Entertainment Limited, and the subsidiaries listed in note 12.

The financial statements of all the Group companies are prepared using uniform accounting policies. All inter-company transactions and expenses between the Group companies have been eliminated during consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

Basis of consolidation (continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

Business combinations (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

G ENTERTAINMENT GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets".

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an undertaking include the carrying amount of goodwill relating to the undertaking sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The Group's policy for goodwill arising on the acquisition of an associate is described in policy note for "Investments in associates".

Segmental reporting

The Group operates in one operating segment, the investment segment. The Group operates in four geographical segments: Cyprus, United Kingdom, British Virgin Islands and Hong Kong, none of which has any revenue. The Group presents its geographical segment financial information on non-current assets other than financial instruments.

Finance Income

Finance income includes interest income which is recognised based on an accruals basis.

Finance Costs

Interest expense is charged to profit or loss as incurred.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates, the Euro (€) (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Euro, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income and then in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income and then in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Euro using exchange rates prevailing on the reporting date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

G ENTERTAINMENT GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Income tax

Income tax expense represents the sum of the income tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the consolidated statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation 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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

G ENTERTAINMENT GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

Financial instruments (continued)

Receivables

Receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs and are classified as follows:

- Available-for-sale investments

Available for sale financial assets are non-derivatives that are either designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Available for sale investments are those acquired and held for an unspecified period of time and may be sold to cover cash flow deficiencies, fluctuations in interest rates, exchange rates or other security prices. For available-for-sale investments, gains and losses arising from changes in fair value are recognised in other comprehensive income and then in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses on available-for-sale financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

G ENTERTAINMENT GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

Financial instruments (continued)

Investments (continued)

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of investments is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale investments the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

For investments measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available for sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Payables

Payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

G ENTERTAINMENT GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is measured again, with any changes in fair value recognized in profit or loss for the year.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

G ENTERTAINMENT GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. Financial risk management

Financial risk factors

The Group is exposed to market price risk, interest rate risk, credit risk, liquidity risk, currency risk, operational risk, litigation risk, reputation risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below:

3.1 Market price risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Group's available-for-sale financial assets are susceptible to market price risk arising from uncertainties about future prices of the investments.

3.2 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group is exposed to interest rate risk in relation to its bank balances and its non current borrowings. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2017	2016
	€	€
Fixed rate instruments		
Financial assets	100.000	100.000
Variable rate instruments		
Financial assets	<u>7.501</u>	<u>2.228.914</u>
	<u>107.501</u>	<u>2.328.914</u>

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2017 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and other equity.

	Profit or loss	
	2017	2016
	€	€
Variable rate instruments	<u>75</u>	<u>22.289</u>

3.3 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Group is exposed to credit risk from its operating activities - primarily from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2017	2016
	€	€
Loans to director (Note 17, 25.4)	106.000	103.000
Cash at bank (Note 19)	<u>7.501</u>	<u>2.228.914</u>
	<u>113.501</u>	<u>2.331.914</u>

G ENTERTAINMENT GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. Financial risk management (continued)

3.3 Credit risk (continued)

3.3.1 Credit quality of financial assets

The table below shows an analysis of the Group's bank deposit by the credit rating of the bank in which they are held:

	2017 €	2016 €
Bank group based on credit ratings by Moody's		
Ba1	724	2.228.814
Caa3	<u>6.777</u>	<u>100</u>
	<u>7.501</u>	<u>2.228.914</u>

3.4 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

31 December 2017	Carrying amounts €	Contractual cash flows €	3 months or less €	3-12 months €	1-2 years €	2-5 years €	More than 5 years €
Other creditors (Note 23)	24.263	24.263	24.263	-	-	-	-
Other payables to related parties (Note 23, 25.5)	2.813	2.813	2.813	-	-	-	-
Loans from shareholders (Note 22, 25.6)	3.626	3.626	3.626	-	-	-	-
Payables to shareholders (Note 23, 25.7)	56.722	56.722	56.722	-	-	-	-
Director fees due to executive directors (Note 23, 25.5)	59.338	59.338	59.338	-	-	-	-
Director fees due to non-executive directors (Note 23, 25.5)	7.215	7.215	7.215	-	-	-	-
	<u>153.977</u>	<u>153.977</u>	<u>153.977</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

G ENTERTAINMENT GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. Financial risk management (continued)

3.4 Liquidity risk (continued)

31 December 2016	Carrying amounts €	Contractual cash flows €	3 months or less €	3-12 months €	1-2 years €	2-5 years €	More than 5 years €
Other creditors (Note 23)	4.971	4.971	4.971	-	-	-	-
Other payables to related parties (Note 23, 25.5)	8.790	8.790	8.790	-	-	-	-
Payables to shareholders (Note 23, 25.7)	67.478	67.478	67.478	-	-	-	-
Director fees due to non-executive directors (Note 23, 25.5)	5.000	5.000	5.000	-	-	-	-
	86.239	86.239	86.239	-	-	-	-

3.5 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the British Pound and the Hong Kong Dollar. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

	2017 €	Liabilities 2016 €	2017 €	Assets 2016 €
British Pounds	(59.895)	(67.478)	608.832	2.613.239
Hong Kong Dollar	(453)	-	-	-
	(60.348)	(67.478)	608.832	2.613.239

Sensitivity analysis

A 10% strengthening of the Euro against the following currencies at 31 December 2017 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	2017 €	Profit or loss 2016 €
British Pounds	54.894	254.576
Hong Kong Dollar	(45)	-

3.6 Operational risk

Operational risk is the risk that derives from the deficiencies relating to the Group's information technology and control systems as well as the risk of human error and natural disasters. The Group's systems are evaluated, maintained and upgraded continuously.

3.7 Litigation risk

Litigation risk is the risk of financial loss, interruption of the Group's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the Group to execute its operations.

G ENTERTAINMENT GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. Financial risk management (continued)

3.8 Reputation risk

The risk of loss of reputation arising from the negative publicity relating to the Group's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Group. The Group applies procedures to minimize this risk.

3.9 Capital risk management

The Group's objectives in managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Fair value estimation

The fair values of the Group's financial assets and liabilities approximate their carrying amounts at the reporting date.

Fair value measurements recognised in consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2017	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets				
Available for sale investments	-	-	608.832	608.832
Total	-	-	608.832	608.832
31 December 2016	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets				
Available for sale investments	-	2.613.239	-	2.613.239
Total	-	2.613.239	-	2.613.239

Valuation techniques and key inputs

Available-for-sale investment as at 31 December 2017, represents participation rights in a live stage production (Note 16). The fair value of available-for-sale investments at 31 December 2016 represented the acquisition cost at initial recognition, translated by the period-end exchange rate for investments denominated in a foreign currency.

During the year there has been a transfer of the available-for-sale investment from level 2 to level 3. This is due to the fact that last year available-for-sale investment was valued using the cost approach as the Group had no operations until 20 March 2017 (premiere of the show). For the year ended 31 December 2017, available-for-sale investment was valued using the income approach and specifically the net cash flow to equity holders method and by taking into account the agreement between the two parties.

G ENTERTAINMENT GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. Financial risk management (continued)

Fair value estimation (continued)

The Board of Directors considers that this is the most appropriate approximation of the fair value of the available-for-sale investment as at 31 December 2017.

For available-for-sale investments categorised into Level 3 of the fair value hierarchy, the following information is relevant:

	Valuation technique(s)	Significant unobservable input(s)	Sensitivity
Available-for-sale investment (Note 16)	Income approach (net cash flow to equity holders)	Net cash flows expected to be derived from the investment discounted using a discount factor of 19,84% and translated using the closing rate.	A slight decrease in revenues would result in a decrease in the fair value of the investment, and vice versa.

4. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Critical judgements in applying accounting policies

- **Deferred tax assets**

Deferred tax assets are recognised by the Group to the extent that is probable that future taxable profits will be available and can be utilised. The Group has not recognised any deferred tax asset due to the fact that the year ended 31 December 2017 represented the period of establishment and early stage of development of the Group and any estimation of future results and their timing may be uncertain.

Key sources of estimation uncertainty

- **Fair value of financial assets**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The fair value of the financial assets available for sale has been estimated based on the fair value of these individual assets.

Information about the fair value of financial assets is disclosed in notes 3 and 16.

G ENTERTAINMENT GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4. Critical accounting estimates and judgments (continued)

- **Impairment of investments in associates**

The Group periodically evaluates the recoverability of investments in associates whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in associates may be impaired, the estimated future discounted cash flows associated with these associates would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **Impairment of available-for-sale investments**

The Group follows the guidance of IAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

5. Segmental analysis

2017	British Virgin Islands	United Kingdom	Hong Kong	Cyprus	Total
	€	€	€	€	€
Non-current assets	<u>1.368.974</u>	<u>162.669</u>	<u>-</u>	<u>-</u>	<u>1.531.643</u>

21/08/2015 - 31/12/2016	British Virgin Islands	Hong Kong	Hong Kong	Cyprus	Total
	€	€	€	€	€
Non-current assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

6. Other expenses

	2017	21/08/2015 - 31/12/2016
	€	€
Equity-settled awards to key management personnel and other parties	-	1.631.530
Impairment charge - goodwill	<u>-</u>	<u>312.791</u>
	<u>-</u>	<u>1.944.321</u>

On 3 October 2016, the Board Of Directors decided on the basis of the Share Plan, pursuant to the resolution approved by the Extraordinary General Meeting dated 26 September 2016, to issue and allot 42.104.000 ordinary shares of nominal value €0,0001 per share to key management personnel and 10.526.000 shares of nominal value €0,0001 per share to a third party.

As per International Financial Reporting Standard (IFRS) 2 "Share-based Payments" the equity-settled award granted to key management personnel was recognized at fair value on the grant date of €0,031.

Regarding the free shares granted to the third party, no service conditions were imposed, hence the fair value of the goods or services received could not be estimated reliably. As a result, the equity-settled award granted to the third party was recognized at fair value on the grant date of €0,031.

Fair value on the grant date was estimated according to a similar transaction of share issue to investors.

G ENTERTAINMENT GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

6. Other expenses (continued)

The total value of the equity instruments issued of €1.631.530 was recognized as other expense in the prior period as the Share Plan did not include any vesting conditions. According to the contractual agreement, 50% of the allotted shares may be sold 6 months following the listing date of 16 December 2016, whereas the remaining 50% may be sold 12 months following the listing date. The difference between the nominal value of the ordinary shares issued and the fair value of the equity instrument was recognized as an equity-settled awards reserve (note 21) of €1.626.267.

7. Operating loss

	2017	21/08/2015 - 31/12/2016
	€	€
Operating loss is stated after charging the following items:		
Salaries- key management personnel (Note 8)	155.736	18.098
Auditors' remuneration for the statutory audit of annual financial statements	58.110	50.078
Auditors' remuneration for tax compliance services	2.000	2.000
Auditors' remuneration for non audit services	9.450	-
Legal fees	144.698	122.131
Incorporation expenses	453	-
Other professional fees	365.957	433.394
Executive directors consultancy fees (Note 25.3)	427.557	130.732
Non-executive directors fees (Note 25.3)	34.000	5.000
Consulting fees - key management personnel (Note 25.3)	140.682	102.782
Consulting services from related parties (Note 25.3)	28.517	21.413
Impairment charge - goodwill (included in "Other expenses") (Note 12)	-	312.791
	<u> -</u>	<u> 312.791</u>

8. Staff costs

	2017	21/08/2015 - 31/12/2016
	€	€
Salaries- key management personnel (Note 25.3)	153.240	16.652
Social insurance and other contributions - key management personnel (Note 25.3)	2.496	1.446
	<u> 155.736</u>	<u> 18.098</u>

The average number of employees employed by the Group during the year 2017 is 2 (2016: 1).

9. Net finance costs

	2017	21/08/2015 - 31/12/2016
	€	€
Interest income (Note 25.3)	<u> 3.000</u>	<u> 3.000</u>
Finance income	<u> 3.000</u>	<u> 3.000</u>
Net foreign exchange losses	(171.993)	(59.999)
Sundry finance expenses	(3.792)	(2.534)
Interest expense	<u> (3.626)</u>	<u> -</u>
Finance costs	<u> (179.411)</u>	<u> (62.533)</u>
Net finance costs	<u> (176.411)</u>	<u> (59.533)</u>

G ENTERTAINMENT GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

10. Income tax

	2017	21/08/2015 - 31/12/2016
	€	€
Corporation tax - current year/period	-	-
Charge for the year/period	-	-

The total charge for the year can be reconciled to the accounting results as follows:

	2017	21/08/2015 - 31/12/2016
	€	€
Loss before income tax	(5.506.215)	(2.912.987)
Income tax calculated at the applicable tax rates	(688.277)	(364.123)
Effect of different tax rates in other countries	(52.157)	(28.348)
Tax effect of expenses not deductible for income tax purposes	569.490	321.941
Tax effect of allowances and income not subject to income tax	(1.781)	-
Tax effect of tax loss for the year/period	172.725	70.530
Tax charge	-	-

The tax rate used for the reconciliation above is the corporate tax rate of 12,5% payable by corporate entities in Cyprus on taxable profits under Cyprus tax law.

The current rate of UK corporation tax is 20 per cent. A reduction in the UK corporation tax rate from 20 per cent to 19 per cent (effective from 1 April 2017) and to 17 per cent (effective from 1 April 2020) was substantively enacted in October 2015.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

The Group has unused tax losses of €243.255 (2016: €70.530) for which no deferred tax asset has been recognised.

11. Loss per share attributable to equity holders of the parent

	2017	21/08/2015 - 31/12/2016
Loss for the year/period (€)	(5.506.215)	(2.912.987)
Weighted average number of ordinary shares in issue during the year/period	675.824.679	576.997.672
Loss per share (cent)	(0,81)	(0,50)
Net assets as at 31 December	2.057.403	4.816.090
Weighted average number of ordinary shares in issue during the year/period	675.824.679	576.997.672
Net assets per share (cent)	0,30	0,83

G ENTERTAINMENT GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12. Intangible assets

	Goodwill
	€
Balance at 21 August 2015	-
Additions from acquisitions of subsidiaries	312.791
Impairment charge (Note 7)	<u>(312.791)</u>
Balance at 31 December 2016/ 1 January 2017	-
Balance at 31 December 2017	-

Goodwill represents the premium paid to acquire G Entertainment Limited on 22 December 2015 and is measured at cost less any accumulated impairment losses. Impairment charge of €312.791 was recognised in the statement of profit or loss and other comprehensive income as the subsidiary was in a net liabilities position as at 31 December 2016.

13. Investments in subsidiaries

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2017 Direct Holding %	2017 Indirect Holding %	2016 Direct Holding %	2016 Indirect Holding %
G Entertainment Limited	United Kingdom	Holding of investments	100	-	100	-
G Entertainment Sports Limited	United Kingdom	Dormant	-	100	-	100
G Entertainment Racing Club Limited	United Kingdom	Dormant	-	100	-	100
G Entertainment (HK) Limited	Hong Kong	Dormant	100	-	-	-

On 22 December 2015 the Company acquired 100% of the share capital of G Entertainment Limited. The transaction involved the purchase of shares at GBP50.000 (€67.478).

On 20 September 2016, the Group incorporated and subscribed for 100% of the share capital of G Entertainment Sports Ltd and G Entertainment Racing Club Ltd, both incorporated in the United Kingdom, for a total consideration of GBP10.000 each.

On 9 June 2017, the Group incorporated a subsidiary, G Entertainment (HK) Limited. The transaction involved the subscription of 1 ordinary share with total value of HKD 1,00 (€0,10). The Company is currently dormant.

G ENTERTAINMENT GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

14. Acquisition of subsidiary

On 22 December 2015 the Group acquired 100% of the share capital of G Entertainment Limited. The transaction involved the exchange of shares with total value GBP50.000 (€67.478) and has been accounted for by the purchase method of accounting.

	G Entertainment Limited €	Total €
Consideration transferred	67.478	67.478
Add: Carrying amount of the net liabilities acquired	292.713	292.713
Exchange difference	(47.700)	(47.700)
Goodwill arising on consolidation:	<u>312.491</u>	<u>312.491</u>

The assets and liabilities acquired were as follows:

	G Entertainment Limited €	Acquiree's carrying amount before combination €	Fair value €
Receivables	143.069	143.069	-
Cash at bank	1.887	1.887	-
Loans receivable	100.187	100.187	-
Trade payables	(537.856)	(537.856)	-
Net liabilities	<u>(292.713)</u>	<u>(292.713)</u>	<u>-</u>

Net cash outflow on acquisition of subsidiaries

	2017 €	21/08/2015 - 31/12/2016 €
Consideration paid in cash	-	(67.478)
Cash and cash equivalents acquired	-	1.887
	<u>-</u>	<u>(65.591)</u>

15. Investments in associates

	2017 €	2016 €
Balance at 1 January/21 August	-	-
Net assets of associates acquired	559.036	-
Goodwill arising on acquisition of associates	3.581.852	-
Total Cost of investment - Reclassified from available-for-sale investments (Note 16)	4.140.888	-
Exchange differences	26.172	-
Share of loss from investments in associates	(232.663)	-
Impairment loss	(2.402.754)	-
Balance at 31 December	<u>1.531.643</u>	<u>-</u>

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15. Investments in associates (continued)

The details of the investments are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2017 Holding %	2016 Holding %	2017 €	2016 €
Single Yard Holdings Limited	British Virgin Islands	Licensed exchange and advance deposit wagering platform	28,98	-	1.368.974	-
SportsSide-Kick Limited	England and Wales	Channel that connects sports clubs	26,73	-	162.669	-
					1.531.643	-

The Group considered that the net book value of the net assets of the associates represented the net fair value on the date of the acquisition of its identifiable assets and liabilities.

As part of the impairment review as at 31 December 2017, the Board of Directors assessed that an impairment of €2.402.754 was necessary to write down the investments to their recoverable amounts based on the financial prospects, current financial conditions and financing potential of the associates.

Significant aggregate amounts in respect of associated undertakings (per the unaudited management accounts prepared under International Financial Reporting Standards (IFRSs)):

2017	Single Yard Holdings Limited €	Sports-SideKick Limited €	Total €
Percentage ownership interest	28,98%	26,73%	
Non-current assets	708.712	651.670	1.360.382
Current assets	394.200	2.278	396.478
Current liabilities	(418.930)	(45.384)	(464.314)
Net assets (100%)	683.982	608.564	1.292.546
Loss from continuing operations (100%)	(748.806)	(58.581)	(807.387)
Total comprehensive loss (100%)	(748.799)	(58.581)	(807.380)
Group's share of loss and total comprehensive income	(217.004)	(15.659)	(232.663)

Reconciliation of the above summarised financial information to the carrying amount of the interest in investment in associates recognised in the consolidated financial statements:

	Single Yard Holdings Limited €	Sports-SideKick Limited €	Total €
Percentage ownership interest	28,98%	26,73%	
Net Assets of the associate	198.430	162.669	361.099
Goodwill	2.401.434	1.180.418	3.581.852
Exchange differences	(30.889)	22.335	(8.554)
Impairment loss	(1.200.000)	(1.202.754)	(2.402.754)
Carrying amount of the Group's investment	1.368.974	162.669	1.531.643

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16. Available-for-sale investments

	2017	2016
	€	€
Balance at 1 January/21 August	2.613.239	-
Additions	3.152.300	2.588.274
Reclassified to investments in associates (Note 15)	(4.140.888)	-
Impairment loss on available-for-sale investment	(854.152)	-
Exchange differences recognised through translation reserve	(67.836)	-
Exchange differences recognised through other comprehensive income	(40.309)	30.088
Exchange differences recognised through profit or loss	(53.522)	(5.123)
Balance at 31 December	608.832	2.613.239

Single Yard Holdings Limited

On 23 May 2016, the Group entered into a Convertible Loan Note and Subscription Agreement ("SYH Agreement") to acquire unsecured convertible loan notes ("Notes") of GBP1.103.000 (€1.319.253) in integral multiples of GBP1.000 and one share of GBP1.361 (€1.745) in Single Yard Holdings Limited ("SYH"). According to the agreement and the deeds of variation signed thereon, the Group had the right to call on SYH to issue an additional total amount of GBP3.945.636 in Notes which would be issued in nine different tranches within 52 weeks after the listing date of 16 December 2016. If the Group proceeded with the issue of all the remaining loan notes, all loan notes would be automatically converted into 8,822 fully paid shares in SYH at a GBP572.31 conversion price, 53 weeks after listing, representing 60% participation in SYH. If the Group decided not to subscribe for a particular issue of notes, then all outstanding notes at the time held by the Group, would automatically convert into fully paid shares in SYH at a different conversion price.

The Group held a Warrant Certificate dated 28 May 2016 issued by SYH for the amount of 5.000 Warrants which certified that the Group was the registered holder of 5.000 Warrants. The Warrants entitled the Group to subscribe to SYH Warrant Shares at the Subscription Price, as dictated by the SYH Agreement and the deeds of variation. The Warrants were attached to the unsecured convertible loan notes and were designed to prevent the dilution of the equity instruments, when converted. In the event that an automatic conversion of loan notes occurred, the rights of the Group to exercise the Warrants would cease.

On 13 January 2017 the Company invested an amount of €918.745 (£100.000) in Single Yard Holdings Limited in unsecured, not guaranteed, convertible loan notes. On 26 May 2017 the Company invested a further €116.630 (£100.000) in Single Yard Holdings Limited in unsecured, not guaranteed, convertible loan notes. On 1 July 2017 the Company invested a further €496.006 (£435.091,23) in Single Yard Holdings Limited in unsecured, not guaranteed, convertible loan notes.

On 14 July 2017, the Company announced that no further investment will be made in Single Yard Holdings Limited. Convertible loan notes were automatically converted into share capital in Single Yard Holdings Limited, comprising of 2.400 fully paid ordinary shares at a conversion price of approximately €1.117 (£1.016) each. The total investment in convertible loan notes of €2.783.788 (£2.438.091) and the existing shareholding in one share of €1.745 (£1.361) comprise a participation in Single Yard Holdings Limited of 28,98% (Note 15). On the same day, the investment in Single Yard Holdings Limited was reclassified to Investment in Associates and the loss previously reported in other comprehensive income of €70.397 has been reclassified to the Profit or Loss for the year ended 31 December 2017.

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16. Available-for-sale investments (continued)

SportssideKick Limited

On 4 July 2016, the Group entered into a Convertible Loan Note and Subscription Agreement ("SSK Agreement") to acquire unsecured convertible loan notes of GBP625,000 (€730,497) in integral multiples of GBP5,000 and one share of GBP437 in SportsSideKick Limited ("SSK"). According to the agreements and the deeds of variation signed thereon (Note 25), the Group had the right to call on SSK to issue an additional total amount of GBP2,124,563 in Notes which would be issued in nine different tranches within 50 weeks after the listing date of 16 December 2016. When the Group proceeds with the issue of all the remaining loan notes, all loan notes would be automatically converted into 14,996 fully paid shares in SSK at a GBP183,36 conversion price, 50 weeks after listing, representing 60% participation in SSK. If the Group decided not to subscribe for a particular issue of notes, then all outstanding notes issued at the time held by the Group would automatically convert into fully paid shares in SSK at a different conversion price.

The Group held a Warrant Certificate dated 4 July 2016 issued by SSK for the amount of 20,000 Warrants, which certified that the Group was the registered holder of 20,000 Warrants. The Warrants entitled the Group to subscribe for SSK Warrant Shares at the Subscription Price, as dictated by the SSK Agreement and the deeds of variation. The Warrants were attached to the unsecured convertible loan notes and were designed to prevent the dilution of the equity instruments, when converted. In the event that an automatic conversion of loan notes occurred, the rights of the Group to exercise the Warrants would cease.

On 10 January 2017 the Group invested an amount of €690,393 (£600,000) in SportsSideKick Limited in unsecured, not guaranteed, convertible loan notes.

On 8 August 2017, the Group announced that no further investment will be made in SportsSideKick Limited. Convertible loan notes were automatically converted into share capital in SportsSideKick Limited, comprising of 3,648 fully paid ordinary shares at a conversion price of approximately €371 (£336) each. The total investment in convertible loan notes of €1,347,243 (£1,225,000) and the existing shareholding in one share of €512 (£437) comprise a participation in SportsSide Kick Limited of 26,73% (Note 15). On the same day, the investment in SportsSideKick Limited was reclassified to Investment in Associates.

GL (42ND ST) LTD

On 9 September 2016, the Group entered into an agreement with GL (42ND ST) LTD to subscribe for a cash consideration of GBP500,000 (€591,104) towards the total capitalization of GBP6,000,000 of a live stage production of the musical "42nd Street". According to the agreement, the Group will receive a portion (8,33%) of the available net proceeds equal to its participation in the live stage production.

On 1 March 2017 the Group entered into an agreement to make an additional investment in GL (42ND ST) LTD for a cash consideration of €700,104 (£600,000) thus increasing the Group's participation in the net proceeds from 8,33% to 18,33%. Additionally, on 10 March 2017 the Group entered into an agreement to make an additional investment in GL (42ND ST) LTD for a cash consideration of €230,422 (£200,000) thus increasing the Group's participation in the net proceeds from 18,33% to 21,67%.

As the available-for-sale investment comprises only a participation in proceeds in GL (42ND ST) LTD and the Group has no power to participate in its financial and/or operating decisions, no significant influence exists and the investment does not meet the definition of investment in associate.

An impairment loss of €854,152 has been recognised in the Profit or Loss for the year ended 31 December 2017 arising from the use of income approach and specifically the net cash flow to equity holders method and by taking into account the agreement signed between the two parties. The loss was recognised in the Profit or Loss.

For the determination of fair value of the available for sale financial assets please refer to Note 3.

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17. Loans receivable

	2017	2016
	€	€
Loans to directors (Note 25.4)	<u>106.000</u>	<u>103.000</u>
	<u>106.000</u>	<u>103.000</u>
	2017	2016
	€	€
Within one year	<u>106.000</u>	<u>103.000</u>

On 31 December 2015, the Group granted a loan of €100.000 to the executive director, Brooke Greville. The loan is unsecured, bears interest of 3% and is repayable on or before 31 December 2018. During the year, interest income of €3.000 (2016: €3.000) was recognised in the statement of profit or loss.

The exposure of the Group to credit risk in relation to loans receivable is reported in note 3 of the consolidated financial statements.

18. Receivables

	2017	2016
	€	€
Deposits and prepayments	10.285	14.334
Other taxes (Note 24)	20.921	22.537
Refundable VAT	<u>17</u>	<u>4.276</u>
	<u>31.223</u>	<u>41.147</u>

The fair values of receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Group to credit risk and impairment losses in relation to receivables is reported in note 3 of the consolidated financial statements.

19. Cash and cash equivalents

Cash balances are analysed as follows:

	2017	2016
	€	€
Cash at bank	<u>7.501</u>	<u>2.228.914</u>
	<u>7.501</u>	<u>2.228.914</u>

The exposure of the Group to credit risk and interest rate risk in relation to cash and cash equivalents is reported in note 3 of the consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

20. Share capital

	2017 Number of shares	2017 €	2016 Number of shares	2016 €
Authorised				
Ordinary shares of €0,01 each	800.000.000	8.000.000	-	-
Ordinary shares of €0,0001 each	-	-	3.000.000.000	300.000
	<u>800.000.000</u>	<u>8.000.000</u>	<u>3.000.000.000</u>	<u>300.000</u>
		€		€
Issued and fully paid				
Balance at 1 January/21 August	1.169.590.000	116.959	-	-
Issue of shares	10.479.840	104.798	1.169.590.000	116.959
Issue of bonus shares	660.063.965	6.600.640	-	-
Change of nominal value	<u>(1.157.894.100)</u>	-	-	-
Balance at 31 December	<u>682.239.705</u>	<u>6.822.397</u>	<u>1.169.590.000</u>	<u>116.959</u>

Authorised capital

On 21 August 2015, under its Memorandum the Company fixed its share capital at 100.000 ordinary shares of €1,00 each.

On 15 January 2016, the Company increased its authorized share capital to 300.000 ordinary shares of €1,00 each. On the same date, the Company converted the authorized share capital from 300.000 ordinary shares of €1,00 each to 3.000.000.000 ordinary shares of €0,0001 each.

On 24 March 2017, the Company converted the authorised share capital from 3.000.000.000 ordinary shares of €0,0001 each to 30.000.000 ordinary shares of €0,01 each. On the same date, the Company increased the authorised share capital to 800.000.000 shares of €0,01 each.

Issued capital

On 21 August 2015, the Company issued 100.000 ordinary shares of nominal value €1.00 each.

On 15 January 2016, the Company increased its authorized share capital to 300.000 ordinary shares of nominal value €1,00 each. On the same date, the Company converted the authorized share capital from 300.000 ordinary shares of nominal value €1,00 each to 3.000.000.000 ordinary shares of nominal value €0,0001 each.

On 3 October 2016 the Company made a bonus issue of 42.104.000 shares to key management personnel and 10.526.000 shares to a third party at the price of €0,031 per share. On 4 October 2017, the Company issued 116.960.000 ordinary shares to a strategic investor at the price of €0,031 per share, resulting in a share premium of €3.614.064.

On 3 January 2017, the Company issued 20.000.000 shares of nominal value €0,0001 each to Crystal Voyage Ltd at the price of €0,10 per share, resulting in a share premium of €1.998.000.

On 1 March 2017, the Company issued 10.526.300 shares of nominal value €0,0001 each to Crystal Voyage Ltd at the price of €0,095 per share, resulting in a share premium of €998.986.

On 20 April 2017, the Company converted the issued share capital from 1.200.116.300 ordinary shares of nominal value €0,0001 each to 12.001.163 ordinary shares of nominal value €0,01 each.

On the same date, the Company issued 660.063.965 shares as bonus shares to existing shareholders at its nominal value, utilising most of its share premium account.

On 6 June 2017, the Company issued 5.294.118 ordinary shares of nominal value €0,01 each to Crystal Voyage Ltd at the price of €0,17 per share, resulting in a share premium of €847.059.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

20. Share capital (continued)

On 14 July 2017, the Company issued 3,529,411 ordinary shares of nominal value €0,01 each to Nearchi Investments Ltd at the price of €0,17 per share, resulting in a share premium of €564,706.

On 8 December 2017, the Company issued 1,351,048 ordinary shares of nominal value €0,01 each to Crystal Voyage Ltd at the price of €0,126 per share, resulting in a share premium of €156,722. For the consideration of the shares issued, Crystal Voyage Ltd has repaid the principal amount owed to Jenwell Ltd of €111,234 (GBP100,000) (note 22) and paid the remaining amount to the Company.

21. Other reserves

	Share premium €	Equity-settled awards reserve €	Fair value reserve - available-for-sale investments €	Additional Capital Contribution €	Shares to be issued €	Translation reserve €	Total €
Balance at 21 August 2015	-	-	-	-	-	-	-
Exchange difference arising on the translation and consolidation of foreign companies' financial statements	-	-	-	-	-	10,432	10,432
Issue of share capital (Note 20)	3,614,064	-	-	-	-	-	3,614,064
Issue of ordinary shares to key management personnel and other parties as equity-settled awards	-	1,626,267	-	-	-	-	1,626,267
Shares to be issued	-	-	-	-	2,000,000	-	2,000,000
Exchange differences on available-for-sale investments recognised through other comprehensive income (Note 16)	-	-	(30,088)	-	-	-	(30,088)
Additional capital contribution	-	-	-	391,443	-	-	391,443
Balance at 31 December 2016	3,614,064	1,626,267	(30,088)	391,443	2,000,000	10,432	7,612,118
Balance at 31 December 2016/ 1 January 2017	3,614,064	1,626,267	(30,088)	391,443	2,000,000	10,432	7,612,118
Exchange difference arising on the translation and consolidation of foreign companies' financial statements	-	-	-	-	-	47,209	47,209
Issue of share capital (Note 20)	4,565,433	-	-	-	(2,000,000)	-	2,565,433
Issue of bonus shares (Note 20)	(6,600,640)	-	-	-	-	-	(6,600,640)
Exchange differences on available-for-sale investments recognised through other comprehensive income (Note 16)	-	-	(40,309)	-	-	-	(40,309)
Reclassification to profit or loss (Note 16)	-	-	70,397	-	-	-	70,397
Balance at 31 December 2017	1,578,857	1,626,267	-	391,443	-	57,641	3,654,208

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

21. Other reserves (continued)

The fair value reserve for investments represents accumulated gains and losses arising on the revaluation of available-for-sale investments that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Euro) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Gains and losses on hedging instruments that are designated as hedges of net investments in foreign operations are included in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

On 21 August 2016, the nominee shareholders of the Company transferred 49.950.000 shares of €0,0001 each to 17 shareholders. No cash consideration was received as the 17 new shareholders signed an agreement where the repayment of the loans provided to the subsidiary company, G Entertainment Limited, was forgiven in exchange of shares in the Company. The difference between the amount of loans waived and the nominal value of the ordinary shares of €391.443 was recognized as additional capital contribution.

On 3 October 2016, the Board of Directors decided on the basis of the Share Plan, pursuant to the resolution approved by the Extraordinary General Meeting dated 26 September 2016, to issue and allot 42.104.000 ordinary shares of nominal value €0,0001 per share to key management personnel and 10.526.000 shares of nominal value €0,0001 per share to a third party. As per International Financial Reporting Standard (IFRS) 2 "Share-based Payments" the equity-settled award granted to key management personnel was recognized at fair value on the grant date of €0,031. Regarding the free shares granted to the third party, no service conditions were imposed, hence the fair value of the goods or services received could not be estimated reliably. As a result, the equity-settled award granted to the third party was recognized at fair value on the grant date of €0,031. The difference between the nominal value of the ordinary shares issued and the fair value of the equity instrument was recognized as an equity-settled awards reserve of €1.626.267.

On 3 January 2017 the Company issued 20.000.000 ordinary shares for €0.10 per share to Crystal Voyage Limited. The subscription agreement was signed on 10 October 2016 and on 31 December 2016 the Company received €2.000.000 for the shares. The amount was recognised as at 31 December 2016 as a shares to be issued reserve.

22. Borrowings

	2017	2016
	€	€
Balance at 1 January/21 August	-	-
Additions	114.860	-
Repayments	<u>(111.234)</u>	-
Balance at 31 December	<u>3.626</u>	-
	2017	2016
	€	€
Current borrowings		
Loans from shareholders (Note 25.6)	<u>3.626</u>	-

On 20 September 2017, the Company signed a Loan Agreement with one of its main shareholders, Jenwell Limited, to receive a €339.127 (GBP300.000) loan which would be given on the 10th calendar day of October, November and December 2017 in three equal tranches. The Loan bore an interest of 2% per month and was repayable within 30 calendar days starting from the last tranche given.

On 12 October 2017, based on the Loan Agreement mentioned above, the Company received the first tranche of the amount of €111.234 (GBP100.000).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

22. Borrowings (continued)

On 8 December 2017, the Company issued 1,351,048 ordinary shares to Crystal Voyage Ltd at €0.126 per share, resulting in a share premium of €156,722. For the consideration of the shares issued, Crystal Voyage Ltd repaid the principal amount owed to Jenwell Ltd of €111,234 (GBP100,000) (note 20) and paid the remaining amount to the Company.

During the year, interest expense which also represents accrued interest expense as at the year end of €3,626 (GBP3,222) was recognised in profit or loss.

23. Payables

	2017	2016
	€	€
Director fees due to executive directors (Note 25.5)	59,338	-
Payables to shareholders (Note 25.7)	56,722	67,478
Accruals	67,882	61,434
Other creditors	24,263	4,971
Director fees due to non-executive directors (Note 25.5)	7,215	5,000
Other payables to related parties (Note 25.5)	2,813	8,790
	<u>218,233</u>	<u>147,673</u>

The fair values of payables due within one year approximate to their carrying amounts as presented above.

24. Current tax liabilities

	2017	2016
	€	€
Overseas tax	5,937	22,537
	<u>5,937</u>	<u>22,537</u>

The Group has made no provision (2016: €22,537) for overseas corporation tax payable under Section 455 Corporation Tax Act 2010 of the United Kingdom, on a loan to a director (note 17). The overseas corporation tax is refundable on repayment of the loan and a corresponding debit balance of €20,921 (2016: €22,537) as other taxes has been recognized in receivables in note 18.

25. Related party balances and transactions

The key shareholders of the Company are Zheng Yongxiong, XU Vicky Hui and Blackrun Ventures Limited.

The related party balances and transactions are as follows:

25.1 Transactions with shareholders

		2017	21/08/2015 - 31/12/2016
	<u>Nature of transactions</u>	€	€
Jenwell Limited	Interest expense	3,626	-
		<u>3,626</u>	<u>-</u>

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25. Related party balances and transactions (continued)

25.2 Transactions with related parties

		2017	21/08/2015 - 31/12/2016
	<u>Nature of transactions</u>	€	€
Sports Trading Network Limited	Rent	8.743	29.541
Other related party	Accounting services	28.517	21.413

On 29 April 2016, the Group entered into an agreement with the related company, Sports Trading Network Limited, for the provision of shared office space. The agreement expired on 1 February 2017.

On 1 June 2016, the Group entered into a consultancy agreement with Mical Greville, for the provision of accounting services for approximately €2.852 (GBP2.500) per month. The agreement is valid until either of the two parties provides one month notice for the termination of the agreement.

25.3 Transactions with directors and key management personnel

	2017	21/08/2015 - 31/12/2016
	€	€
Executive directors consultancy fees	427.557	130.732
Non-executive directors fees	34.000	5.000
Interest income on director's loan (Note 17)	3.000	3.000
Salaries - key management personnel (Note 8)	153.240	16.652
Social insurance and other contributions - key management personnel (Note 8)	2.496	1.446
Consulting fees - key management personnel	140.682	102.782
Equity-settled awards to key management personnel (Note 6)	-	1.305.224
Legal fees from related parties	76.045	-
	837.020	1.564.836

On 1 June 2016, the Company entered into a consultancy agreement with the executive director, Brooke Greville, for the provision of consultancy services as Chief Executive Officer for GBP8.000 per month. On 12 December 2017 the executive director has provided a six months' notice for the termination of the agreement.

On 1 June 2016, the Group entered into a consultancy agreement with Bryant Park Consulting Ltd for the provision of consultancy services by the executive director, Richard Carter for GBP8.000 per month. The agreement is valid until either of the two parties provides a six months' notice for the termination of the agreement.

On 28 September 2015, the Group entered into a consultancy agreement with Zoe Fiddes for the provision of consultancy services for GBP7.000 per month. The agreement was terminated on 30 August 2016.

On 30 August 2016, the Group entered into a consultancy agreement with Haringrey Park Consultants for the provision of consultancy services by Zoe Fiddes for GBP7.000 per month until 30 December 2016 and GBP8.000 thereafter. The agreement was valid until either of the two parties provides a three months' notice for the termination of the agreement. The agreement was terminated in March 2018 without Zoe Fiddes claiming her notice period.

On 3 October 2016, the Board of Directors decided on the basis of the Share Plan, pursuant to the resolution approved by the Extraordinary General Meeting dated 26 September 2016, to issue and allot 42.104.000 ordinary shares of nominal value €0,0001 per share to key management personnel. As per International Financial Reporting Standard (IFRS) 2 "Share-based Payments" the equity-settled award granted to key management personnel was recognized at fair value on the grant date of €0,031 (Note 6).

On 1 April 2017, the Group entered into a consultancy agreement with the executive director, Zheng Yongxiong, for the provision of consultancy services for GBP8.000 per month. The agreement is valid until either of the two parties provides a six months' notice for the termination of the agreement.

On 1 April 2017, the Group entered into a consultancy agreement with the executive director, Jason Ki Ho Fong, for the provision of consultancy services as Chief Legal Officer for GBP8.000 per month. The agreement is valid until either of the two parties provides a six months' notice for the termination of the agreement.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

25. Related party balances and transactions (continued)

On 1 April 2017, the Group entered into a consultancy agreement with the executive director, Wei Wang, for the provision of consultancy services for GBP8.000 per month. On 9 August 2017, during the Annual General Meeting of the Company, the executive director was not re-elected to continue in office.

On 1 December 2017, the Group entered into a consultancy agreement with Fillmore International Ltd for the provision of consultancy services by the executive director, Sing Lin for GBP8.000 per month. The agreement is valid until either of the two parties provides a six months' notice for the termination of the agreement.

During the year, the Group obtained legal services amounting to €76.045 (GBP 66.667) from a related company, Geoff Morrow Ltd.

25.4 Loans to directors (Note 17)

	2017	2016
	€	€
Brooke Rene Southwell Guy Greville	<u>106.000</u>	<u>103.000</u>
	<u>106.000</u>	<u>103.000</u>

On 12 December 2017 the executive director, Brooke Rene Southwell Guy Greville resigned.

25.5 Payables to related parties (Note 23)

	2017	2016
	€	€
Accrued liabilities - key management personnel	-	820
Other payables to related parties	2.813	8.790
Directors fees due to executive directors	59.338	-
Directors fees due to non-executive directors	<u>7.215</u>	<u>5.000</u>

25.6 Loans from shareholders' (Note 22)

	2017	2016
	€	€
Jenwell Limited	<u>3.626</u>	<u>-</u>

25.7 Payables to shareholders (Note 23)

	2017	2016
	€	€
Shareholders	<u>56.722</u>	<u>67.487</u>
	<u>56.722</u>	<u>67.487</u>

26. Contingent liabilities

The Group had no contingent liabilities as at 31 December 2017.

27. Commitments

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017	2016
	€	€
Within one year	<u>-</u>	<u>8.797</u>
	<u>-</u>	<u>8.797</u>

The Group had no capital or other commitments as at 31 December 2017.

G ENTERTAINMENT GROUP PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

28. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the consolidated financial statements apart from:

- On 23 February 2018, the Group received €170.232 (GBP 100.000) from the strategic investor Crystal Voyage Limited which is wholly owned by the Chairman of the Group.
- On 15 March 2018, the Group received €113.019 (GBP 100.000) from the strategic investor Crystal Voyage Limited which is wholly owned by the Chairman of the Group.

For the above funding given, the Group has not provided any consideration to Crystal Voyage Limited yet.

Independent auditor's report on pages 8 to 11

G ENTERTAINMENT GROUP PLC
ANNUAL REPORT AND FINANCIAL
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FOR THE YEAR ENDED 31 DECEMBER 2017

G ENTERTAINMENT GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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G ENTERTAINMENT GROUP PLC

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Executive Directors

Richard James Carter
Brooke Rene Southwell Guy Greville - Resigned on 12 December 2017
Sing Lin - Appointed on 12 December 2017
Zheng Yongxiong - Appointed on 13 January 2017
Jason Ki Ho Fong - Appointed on 4 April 2017
Wei Wang - Appointed on 4 April 2017 and was not re-elected on 9 August 2017

Non-executive Directors

John Pitsillos
Amhipolis Administrative Services Limited

Company Secretary:

Amhipolis Secretarial Services Limited

Independent Auditors:

Deloitte Limited
Certified Public Accountants and Registered Auditors
24 Spyrou Kyprianou Avenue
1075 Nicosia
Cyprus

Legal Advisers:

Nicholas A. Poubourides LLC
Shakespeare Martineau LLP

Registered office:

6 Theotoki Street
1055 Nicosia
Cyprus

Banker:

Eurobank Cyprus Ltd

Registration number:

HE346401

G ENTERTAINMENT GROUP PLC

MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Board of Directors presents its Management Report and audited financial statements of G Entertainment Group Plc (the "Company") for the year ended 31 December 2017.

Incorporation

The Company was incorporated in Cyprus on 21 August 2015 as a public limited company under the provisions of the Cyprus Companies Law, Cap. 113. On 16 December 2016 the Company's titles became listed on the unregulated, Emerging Companies Market of the Cyprus Stock Exchange.

Principal activity and nature of operations of the Company

The principal activity of the Company continue to comprise the holding of investments.

Changes in group structure

On 9 June 2017, the Company incorporated a subsidiary, G Entertainment (HK) Limited. The transaction involved the subscription of 1 ordinary share with total value of HKD 1,00 (€0,10). The company is currently dormant.

On 14 July 2017, the Company announced that no further investment will be made in Single Yard Holdings Limited ("SYH"). Convertible loan notes were automatically converted into share capital in SYH, comprising of 2.400 fully paid ordinary shares at a conversion price of approximately €1.117 (£1.016) each. The total investment in convertible loan notes of €2.783.788 (£2.438.091) and the existing shareholding in one share of €1.745 (£1.361) comprise a participation in SYH of 28,98% (Note 12). On the same day, the investment in SYH was reclassified to Investment in Associates.

Review of current position, future developments and performance of the Company's business

The results of this year are not considered satisfactory and we, in our capacity as Directors are making an effort to reduce the Company's losses. The qualifications in the Independent Auditors' Report are duly noted.

During 2017 we have undergone a period of consolidation, reviewed our current investments, and evolved our strategy. We are currently looking into several exciting new projects. With the Company's very supportive shareholders and investors, we are looking forward to working with them and bringing G Entertainment Group Plc into its next stage of development. It is noted that the Company currently depends upon the financial support of its Chairman and major shareholder who has confirmed his intention to continue his support for the next 12 months, ensuring that the Company is able to meet its liabilities in a timely fashion and to pursue further investments or business operations. The new projects are expected to breathe new life into the Company, expanding the scope of our investments and operations.

It is also noted that, whereas, according to the final, audited financial statements of the Company for the financial year 2017, it emerged that the Company has lost over 50% of its subscribed share capital, applying the relevant provisions of Section 169 F of the Company Laws, Cap. 113 the Company will hold an extraordinary general meeting of the shareholders of the Company according to the provisions of the law, to consider whether the Company should be wound up or any other measures should be taken. Taking due note of the expressed intention of the Chairman and major shareholder of the Company to continue his support to the Company as detailed above, the Board of Directors has decided to propose to the extraordinary general meeting of the shareholders, the continuation of the business of the Company as is today towards the realization of its business aims and objects, without taking any other measures.

2016 represented the establishment and early stage development of G Entertainment Group Plc. The Company was listed on the Emerging Companies Market of the Cyprus Stock Exchange on 16th December 2016 which represented a huge achievement for the business, but a small step in its long-term vision.

From the date of its listing till now, the Company managed to receive a total net funding of €2,67 million in 2017 and another €284 thousand from 1 January 2018 till now. Part of the funding was used for investing further in SYH and GL (42ND ST) LTD, and the remainder was used for the on-going obligations and operating costs of the Company.

However, in 2017, we have re-evaluated the strategic goals of the Company based on the Company's investment capabilities and the commitments and decided to cease investing further in SYH (refer above).

G ENTERTAINMENT GROUP PLC

MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

At present, SYH is prepared to launch a proprietary exchange and advanced deposited (tote) wagering platform, which was developed by its wholly-owned subsidiary, Tech Yard 5, Plc. SYH has secured one of only 44 offshore online gaming licenses issued by the Philippine government. SYH is currently the only licensee that has qualified to facilitate wagers on regulated sports, including horse racing. Over the past year, SYH has secured commercial arrangements with content rights-holders representing horse racing stakeholders in the United Kingdom, Ireland, United States, Australia and New Zealand, and is in advanced/final stage negotiations with various others. The Board of Directors of SYH is currently seeking additional capital to fund the commencement of live wagering operations.

The Company participated in GL (42ND ST) LTD with total of 21.67% (i.e. GBP 1.3 million out of the GBP 6 million capitalization), a company that produces and presents the live stage production of the musical "42nd Street" by Michael Stewart Mark Bramble, Harry Warren and Al Dubin at the world-famous Theatre Royal Drury Lane in London West End. The Company is expecting to receive part of its initial investment with the termination of the musical by the end of December 2018.

We are continuously seeking to identify and support new strategic projects within the entertainment industry and the Company is in negotiations with new strategic investors and existing shareholders which would allow the Company to continue its operations and further its investment goals, without any firm commitment about the outcome. We believe that, provided that reliable funding is secured, the Company has good prospects to develop such projects relying on its unique contacts and opportunities to exploit the increasing trade between Europe, China and the United States.

Investments

In the year 2017, the Company raised €2,7 million by issuing new shares to strategic investors Crystal Voyage Limited and Nearchi Investments Ltd to continue the Group's investing activities as follows:

- On 13 January 2017 the Company invested an amount of €918.745 (£100.000) in SYH in unsecured, not guaranteed, convertible loan notes. On 26 May 2017 the Company invested a further €116.630 (£100.000) in SYH in unsecured, not guaranteed, convertible loan notes. On 1 July 2017 the Company invested a further €496.006 (£435.091,23) in SYH in unsecured, not guaranteed, convertible loan notes. SYH is a start-up venture launched to be a licensed, state-of-the-art exchange and advance deposit (horse racing) wagering platform focused on the Asian-Pacific market. SYH's objective is to penetrate selected Asian-Pacific markets by offering a licensed, low-cost, multilingual betting platform tailored to high volume individual players, as well as other licensed operators and syndicates.
- On 1 March 2017 the Group entered into an agreement to make an additional investment in GL (42ND ST) LTD for a cash consideration of €700.104 (£600.000) thus increasing the Group's participation in the net proceeds from 8,33% to 18,33%. Additionally, on 10 March 2017 the Group entered into an agreement to make an additional investment in GL (42ND ST) LTD for a cash consideration of €230.422 (£200.000) thus increasing the Group's participation in the net proceeds from 18,33% to 21,67%. GL (42ND ST) LTD is the production of 42nd Street musical which is a revival of a 1933 Hollywood film adaption first brought to the West End in 1984 which ran for a total of five years.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in note 3 of the financial statements.

Existence of branches

The Company does not maintain any branches.

Use of financial instruments by the Company

The Company is exposed to market price risk, interest rate risk, credit risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

G ENTERTAINMENT GROUP PLC

MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Market price risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Company's available-for-sale financial assets are susceptible to market price risk arising from uncertainties about future prices of the investments.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to cash at bank. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. The Company is exposed to credit risk from its operating activities - primarily receivables from related parties and cash at bank. The Company has policies in place for monitoring its credit risk exposure.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and the British Pound. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Results

The Company's results for the year are set out on page 12.

Dividends

The Company did not have any distributable profits as at 31 December 2017, thus the Board of Directors cannot recommend the payment of a dividend.

Research and development activities

The Company did not carry out any research and development activities during the year.

Share capital

Authorised capital

On 24 March 2017, the Company converted the authorised share capital from 3.000.000.000 ordinary shares of €0,0001 each to 30.000.000 ordinary shares of €0,01 each. On the same date, the Company increased the authorised share capital to 800.000.000 shares of €0,01 each.

Issued capital

On 3 January 2017, the Company issued 20.000.000 shares of nominal value €0,0001 each to Crystal Voyage Ltd at the price of €0,10 per share, resulting in a share premium of €1.998.000.

On 1 March 2017, the Company issued 10.526.300 shares of nominal value €0,0001 each to Crystal Voyage Ltd at the price of €0,095 per share, resulting in a share premium of €998.986.

On 20 April 2017, the Company converted the issued share capital from 1.200.116.300 ordinary shares of nominal value €0,0001 each to 12.001.163 ordinary shares of nominal value €0,01 each.

On the same date, the Company issued 660.063.965 bonus shares of nominal value €0,01 each to existing shareholders at the value of €0,01 per share, utilising most of its share premium account.

G ENTERTAINMENT GROUP PLC

MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

On 6 June 2017, the Company issued 5,294,118 ordinary shares of nominal value €0,01 each to Crystal Voyage Ltd at the price of €0,17 per share, resulting in a share premium of €847,059.

On 14 July 2017, the Company issued 3,529,411 ordinary shares of nominal value €0,01 each to Nearchi Investments Ltd at the price of €0,17 per share, resulting in a share premium of €564,706.

On 8 December 2017, the Company issued 1,351,048 ordinary shares of nominal value €0,01 each to Crystal Voyage Ltd at the price of €0,126 per share, resulting in a share premium of €156,722. For the consideration of the shares issued, Crystal Voyage Ltd has repaid the principal amount owed to Jenwell Ltd of €111,234 (GBP100,000) (note 18) and paid the remaining amount to the Company.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2017 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2017 except from:

- Mr. Brooke Rene Southwell Guy Greville who resigned on 12 December 2017 and the same day was replaced by Mr. Sing Lin.
- Mr. Zheng Yongxiong and Mr. Jason Ki Ho Fong who were appointed to the Board of Directors on 13 January 2017 and 4 April 2017 respectively.
- Ms. Wei Wang who was appointed to the Board of Directors on 4 April 2017 and was not re-elected to continue in office on 9 August 2017.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities of the Board of Directors. For information relating to their remuneration please refer to note 20.3.

Directors' Shareholdings

The beneficial interest in the Company's share capital owned by the Directors, their spouses and minor children and by companies in which they hold directly or indirectly at least 20% of the voting rights in a general meeting at 31 December 2017 and 25 April 2018 (5 days before the date of approval of the financial statements) was as follows:

	25 April 2018		31 December 2017	
	No.of shares	% of capital	No.of shares	% of capital
Zheng Yongxiong	301.824.694	44,24%	301.824.694	44,24%
Richard Carter	5.894.560	0,86%	5.894.560	0,86%
	<u>307.719.254</u>	<u>45,01%</u>	<u>307.719.254</u>	<u>45,01%</u>

Shareholding with more than 5% of share capital

The following shareholders held directly or indirectly over 5% of the Company's issued share capital at 31 December 2017 and 25 April 2018 (5 days before the date of approval of the financial statements):

	25 April 2018	31 December 2017
Zheng Yongxiong	44,24%	44,24%
XU Vicky Hui	17,44%	17,44%
Blackrun Ventures Limited	9,75%	9,75%
	<u>71,42%</u>	<u>71,42%</u>

G ENTERTAINMENT GROUP PLC

MANAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Vicky Hui Xu owns 100% of Jenwell Ltd, 100% of Areteos Venture Investment Group Limited, 50% of Lottalot Limited (indirectly through her wholly owned company, Areteos Venture Investment Group Limited) and 50% of Blackrun Venture Limited (indirectly through her wholly owned companies, Maetel Capital Limited and The Hon Organisation).

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 23 to the financial statements.

Corporate Governance Code

The Company does not apply the Corporate Governance Code of the Cyprus Stock Exchange. The application of the Corporate Governance Code is not obligatory for the Company as its titles are listed on the unregulated, Emerging Companies Market of the Cyprus Stock Exchange.

Independent Auditors

The independent auditors, Deloitte Limited, who on 30 November 2017 have expressed their willingness to continue in office and a resolution authorizing the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,



Sing Lin
Director

Nicosia, 30 April 2018

G ENTERTAINMENT GROUP PLC

DECLARATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE COMPANY OFFICIALS RESPONSIBLE FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

In accordance with Article 140 (1) of the Law and Regulations of the Cyprus Stock Exchange we, the members of the Board of Directors and the Company officials responsible for the financial statements of G Entertainment Group Plc (the "Company") for the period from 1 January 2017 to 31 December 2017, on the basis of our knowledge, declare that:

(a) The annual financial statements of the Group which are presented on pages 12 to 38:

(i) have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and

(ii) except for the possible effects of the matters described in the Basis for Qualified Opinion of the Independent Auditor's Report provide a true and fair view of the particulars of assets and liabilities, the financial position and profit or loss of the Group and the entities included in the financial statements as a whole and

b) The Management Report provides a fair view of the developments and the performance as well as the financial position of the Group as a whole, together with a description of the main risks and uncertainties which the Company faces.

Members of the Board of Directors:

Name	Position
Richard James Carter	Executive Director
Sing Lin	Executive Director
Zheng Yongxiong	Executive Director
Jason Ki Ho Fong	Executive Director
John Pitsillos	Non-executive Director
Amphipolis Administrative Services Limited	Non-executive Director

Signature



AMPHIPOLIS ADMINISTRATIVE SERVICES LTD

Responsible for drafting the financial statements

Name	Position
Alison Bolt	Financial Controller

Signature



Nicosia, 30 April 2018

Independent Auditor's Report

To the Members of G Entertainment Group Plc

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of parent company G Entertainment Group Plc (the "Company"), which are presented in pages 12 to 38 and comprise the statement of financial position as at 31 December 2017, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of parent company G Entertainment Group Plc as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Qualified Opinion

The investment in associate is presented at cost in the statement of financial position at 31 December 2017 of €1.585.343 after impairment of €1.200.000 (note 12). In accordance with IAS 39 "Financial Instruments" and IAS 36 "Impairment of assets", an asset should be tested for impairment when there is an indication of impairment. Management has tested the investment in associate for impairment and recognised a resulting impairment loss of €1.200.000. Due to the uncertainties involved in the future operation of the associate and the unavailability of relevant financial information to enable an independent calculation of the recoverable amount of the associate, we were unable to obtain sufficient and appropriate audit evidence on the recoverable amount of €1.585.343. Any additional impairment or reversal should be recorded in the Profit or Loss for the year ended 31 December 2017.

Additionally, the receivable from subsidiary is presented at amortized cost of €1.494.736 after impairment loss of €1.202.754 and the investment in subsidiary at cost of €67.478 in the statement of financial position of the Company as at 31 December 2017 (notes 14 and 11). In accordance with IAS 39 "Financial Instruments" and IAS 36 "Impairment of assets", an asset should be tested for impairment when there is an indication of impairment. Management has tested the receivable from subsidiary for impairment and recognised a resulting impairment loss of €1.202.754. Due to the uncertainties involved in the future operation of the subsidiary and the unavailability of relevant financial information to enable an independent calculation of the recoverable amount of the subsidiary (and its net assets), we were unable to obtain sufficient and appropriate audit evidence on the recoverability of the receivable from and the recoverable amount of the investment in subsidiary of €1.494.736 and €67.478 respectively. Any impairment or reversal should be recorded in the Profit or Loss for the year ended 31 December 2017.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Board Members: Christis M. Christoforou (Chief Executive Officer), Eleftherios N. Philippou, Nicos S. Kyriakides, Nicos D. Papakyriacou, Athos Chrysanthou, Costas Georghadjis, Antonis Taliotis, Panos Papadopoulos, PIERIS M. Markou, Nicos Charalambous, Nicos Spanoudis, Maria Paschalis, Alexis Agathocleous, Alkis Christodoulides, Christakis Ioannou, Panicos Papamichael, Christos Papamarkides, George Martides, Kerry Whyte, Andreas Georgiou, Christos Neocleous, Demetris Papapericleous, Andreas Andreou, Alecos Papalexandrou, George Pantelides, Panayiota Vayianou, Agis Agathocleous, Gaston Hadjiannastassiou, Kypros Ioannides, Yiannis Sophianos, Kyriakos Vlachos, Yiannis Leonidou, Michael Christoforou (Chairman Emeritus).

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Member of Deloitte Touche Tohmatsu Limited

Independent Auditor's Report (continued)

To the Members of G Entertainment Group Plc

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Fair value measurement of available-for-sale investment</p> <p>The Company holds available-for-sale investment of €608.832 as at 31 December 2017 (Notes 3 and 13) which is presented at fair value (original cost €1.462.984). The fair value of available for sale investment was determined with reference to the net cash flows expected to be derived from the investment discounted using appropriate discount factor and translated at year end using the closing rate. The fair value of the available-for-sale investment is considered a key audit matter due to the significant judgements required by management to estimate the fair value of the investment as at the year end. Available-for-sale investment as at 31 December 2017 represents participation rights in unlisted entity.</p>	<ul style="list-style-type: none"> • We have assessed the management's processes and controls around the fair valuation of unlisted investment. • We assessed whether the measurement of fair value by management is reasonable and in accordance with IFRS requirements at 31 December 2017. • We involved our internal valuation experts to assess the appropriateness of management assumptions and inputs for the estimation of the fair value at 31 December 2017. • We assessed whether the fair value of the investment at year-end has changed compared to the prior year. • We evaluated whether the disclosures in the financial statements adequately reflect the hierarchy of the fair value of available for sale investment, especially considering that the fair value measurements are not derived from market data.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence on the recoverable amount of the investment in associates and the investment in subsidiary as well as the recoverability of the amount receivable from subsidiary. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Independent Auditor's Report (continued)

To the Members of G Entertainment Group Plc

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company'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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 ISAs 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 these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report (continued)

To the Members of G Entertainment Group Plc

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2017.

The engagement partner on the audit resulting in this independent auditor's report is Maria Paschalis.



Maria Paschalis

Certified Public Accountant and Registered Auditor
for and on behalf of

Deloitte Limited

Certified Public Accountants and Registered Auditors

Nicosia, 30 April 2018

G ENTERTAINMENT GROUP PLC

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

		21/08/2015 - 31/12/2016
	2017	€
	€	€
Administration expenses	(1.191.301)	(593.723)
Other expenses	<u>(1.202.754)</u>	<u>(1.631.530)</u>
Operating loss	(2.394.055)	(2.225.253)
Net finance costs	(50.502)	(50.524)
Impairment of investment in associate	(1.200.000)	-
Loss previously reported in other comprehensive income	(67.038)	-
Impairment loss on Available-for-sale investment	<u>(854.152)</u>	<u>-</u>
Loss before income tax	(4.565.747)	(2.275.777)
Income tax	-	-
Loss for the year/period	<u>(4.565.747)</u>	<u>(2.275.777)</u>
Other comprehensive income		
<i>Items that may be classified subsequently to profit or loss:</i>		
Available-for-sale investments - Fair value loss	(40.309)	(26.729)
Available-for-sale investments - Reclassified to profit or loss	<u>67.038</u>	<u>-</u>
Other comprehensive loss for the year/period	<u>26.729</u>	<u>(26.729)</u>
Total comprehensive loss for the year/period	<u>(4.539.018)</u>	<u>(2.302.506)</u>
Loss per share (cent)	<u>(0,68)</u>	<u>(0,39)</u>

The notes on pages 16 to 38 form an integral part of these financial statements.

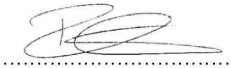
G ENTERTAINMENT GROUP PLC

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	2017 €	2016 €
ASSETS			
Non-current assets			
Investment in subsidiary	11	67.478	67.478
Investment in associate	12	1.585.343	-
Available-for-sale investments	13	<u>608.832</u>	<u>1.880.250</u>
		<u>2.261.653</u>	<u>1.947.728</u>
Current assets			
Receivables	14	1.505.021	3.606.877
Cash and cash equivalents	15	<u>724</u>	<u>100</u>
		<u>1.505.745</u>	<u>3.606.977</u>
TOTAL ASSETS		<u>3.767.398</u>	<u>5.554.705</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	6.822.397	116.959
Other reserves	17	3.596.567	7.605.045
Accumulated losses		<u>(6.841.524)</u>	<u>(2.275.777)</u>
Total equity		<u>3.577.440</u>	<u>5.446.227</u>
Current liabilities			
Payables	19	186.332	108.478
Borrowings	18	<u>3.626</u>	<u>-</u>
		<u>189.958</u>	<u>108.478</u>
TOTAL EQUITY AND LIABILITIES		<u>3.767.398</u>	<u>5.554.705</u>

On 30 April 2018 the Board of Directors of G Entertainment Group Plc authorised these financial statements for issue.


.....
Sing Lin
Director


.....
Richard James Carter
Director

The notes on pages 16 to 38 form an integral part of these financial statements.

G ENTERTAINMENT GROUP PLC

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

	Note	Share capital €	Other reserves (Note 17) €	Accumulated losses €	Total €
Balance at 21 August 2015		-	-	-	-
Comprehensive income					
Net loss for the period		-	-	(2.275.777)	(2.275.777)
Other comprehensive loss for the period		-	(26.729)	-	(26.729)
Transactions with owners					
Issue of share capital	16	111.696	3.614.064	(116.959)	3.608.801
Issue of ordinary shares to key management personnel and other parties		5.263	1.626.267	-	1.631.530
Additional capital contribution		-	391.443	-	391.443
Shares to be issued		-	2.000.000	-	2.000.000
Balance at 31 December 2016/ 1 January 2017		116.959	7.605.045	(2.275.777)	5.446.227
Comprehensive income					
Net loss for the year		-	-	(4.565.747)	(4.565.747)
Other comprehensive loss for the year		-	26.729	-	26.729
Transactions with owners					
Issue of share capital	16	104.798	2.565.433	-	2.670.231
Issue of bonus shares	16	6.600.640	(6.600.640)	-	-
Balance at 31 December 2017		6.822.397	3.596.567	(6.841.524)	3.577.440

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 16 to 38 form an integral part of these financial statements.

G ENTERTAINMENT GROUP PLC

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 €	21/08/2015 - 31/12/2016 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(4.565.747)	(2.275.777)
Adjustments for:			
Impairment of investment in associate	12	1.200.000	-
Impairment of amount receivable from own subsidiary	6	1.202.754	-
Available-for-sale investments - Reclassified to profit or loss	17	67.038	-
Impairment loss on available-for-sale investment	13	854.152	-
Interest expense	8	3.626	-
Equity-settled awards to key management personnel and other parties	6	-	1.631.530
Foreign exchange losses	8	44.777	50.213
		(1.193.400)	(594.034)
Changes in working capital:			
Decrease/(increase) in receivables		898.931	(3.657.090)
Increase in payables		89.063	108.478
Cash used in operations		(205.406)	(4.142.646)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of available-for-sale investments	13	(2.461.908)	(1.906.979)
Payment for purchase of investments in subsidiaries	11	-	(67.478)
Net cash used in investing activities		(2.461.908)	(1.974.457)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		2.670.231	3.725.760
Proceeds from borrowings		111.234	-
Repayments of borrowings		(113.527)	-
Proceeds from shares to be issued		-	2.000.000
Additional capital contribution		-	391.443
Net cash generated from financing activities		2.667.938	6.117.203
Net increase in cash and cash equivalents		624	100
Cash and cash equivalents at beginning of the year/period		100	-
Cash and cash equivalents at end of the year/period	15	724	100

The notes on pages 16 to 38 form an integral part of these financial statements.

G ENTERTAINMENT GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Incorporation and principal activities

Country of incorporation

G Entertainment Group Plc (the "Company") was incorporated in Cyprus on 21 August 2015 as a Public limited company under the provisions of the Cyprus Companies Law, Cap. 113. On 16 December 2016 the Company was listed on the Emerging Companies Market of the Cyprus Stock Exchange. Its registered office is at 6 Theotoki Street, 1055 Nicosia, Cyprus.

Principal activity

The principal activity of the Company continue to comprise the holding of investments.

2. Significant accounting policies

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

Going concern basis

The Company incurred a loss of €4,565,747 for the year ended 31 December 2017 resulting in accumulated losses of €6,841,524 at 31 December 2017. The Company is dependent upon the financial support of its investors to enable it to continue to operate as going concern. It is noted that the Company currently depends upon the financial support of its Chairman and major shareholder who has confirmed his intention to continue his support for the next 12 months ensuring that the Company is able to meet its liabilities in a timely fashion and to pursue further investments or business operations

Basis of preparation

The Company has prepared these parent's separate financial statements for compliance with the requirements of the Cyprus Income Tax Law.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention as modified by the revaluation of and available-for-sale financial assets.

The Company has also prepared consolidated financial statements in accordance with IFRSs for the Company and its subsidiaries (the "Group"). The consolidated financial statements can be obtained from at 6 Theotoki Street, 1055 Nicosia, Cyprus.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2017 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group.

Adoption of new and revised IFRSs

In the current year, the Company has adopted all of the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on or after 1 January 2017. The adoption of these Standards did not have a material effect on the accounting policies of the Company.

(i) Adopted by the European Union New standards

- IFRS 9: "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).

G ENTERTAINMENT GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Adopted by the European Union (continued)

- Clarification to IFRS 15: "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 16: "Leases" (effective for annual periods beginning on or after 1 January 2019).
- Amendments to IFRS 4: Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2018).
- Annual Improvements to IFRS Standards 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 9: Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS40: Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018).

New IFRICs

- IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018).

(ii) Not adopted by the European Union

New standards

- IFRS 14: "Regulatory Deferral Accounts" (postponed).
- IFRS 17: "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020).
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (deferred indefinitely).
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019).
- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019).
- Amendments to IAS19: Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019).

New IFRICs

- IFRIC Interpretation 23: Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019).

The Company is in the process of evaluating the effect that the adoption of the above standards will have on the consolidated financial statements of the Group and it does not intend to early adopt any of them. The Group expects that the most significant impact will result from the below new standards that have been issued but are not yet effective:

- IFRS 9 "Financial Instruments"
IFRS 9 (as revised in 2014) will supersede IAS 39 "Financial Instruments: Recognition and Measurement" upon its effective date and contains the requirements for the classification and measurement of financial assets and financial liabilities, the impairment methodology and general hedge accounting.

Phase 1: Classification and measurement of financial assets and financial liabilities.

All recognized financial assets that are currently within the scope of IAS39 will be subsequently measured at either amortized cost or fair value. Specifically:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

- a debt instrument that is held within a business model objective is to collect the contractual cash flows and has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost (net of any write down for impairment) unless the asset is designated at fair value through profit and loss (FVTPL) under the fair value option.
- a debt instrument that is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and has contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at fair value through other comprehensive income (FVTOCI), unless the asset is designated at FVTPL under the fair value option.
- all other debt instruments must be measured at FVTPL.
- all equity investments are to be measured in the statements of financial position at fair value, with gains and losses recognized in profit and loss except that if an equity instrument is not held for trading, nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, an irrevocable election can be made at initial recognition to measure the investment at FVOCI, with dividend income recognized in profit and loss.

Regarding financial liabilities, one major change is in the presentation of changes in the fair value of the financial liability designated as at FVTPL attributable to changes in the credit risk of that liability. Under IFRS 9 such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit and loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit and loss.

Phase 2: Impairment of financial assets

The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39, however it broadens the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is no longer required, however far more disclosure requirements about an entity's risk have been introduced.

Transitional provisions

If an entity elects to apply IFRS 9 early, it must apply all of the requirements in IFRS 9 at the same time, except for those relating to:

- the presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at FVTPL, the requirements of which an entity may early apply without applying the other requirements in IFRS 9; and
- hedge accounting, for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognized as an expense in the period in which the impairment is identified.

G ENTERTAINMENT GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated undertakings are stated at cost less provision for permanent diminution in value, which is recognised as an expense in the period in which the diminution is identified.

Segmental reporting

The Company operates in one operating segment, the investment segment. The Company operates in four geographical segments: Cyprus, United Kingdom, British Virgin Islands and Hong Kong, none of which has any revenue. The Company presents its geographical segment financial information on non-current assets other than financial instruments.

Finance income

Finance income includes interest income which is recognized based on an accruals basis.

Finance costs

Interest expense is charged to profit or loss as incurred.

Foreign currency translation

(1) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation differences on available-for-sale financial assets are recognised in other comprehensive income and then included in the fair value reserve in equity. Translation differences on available-for-sale debt securities are recognised in profit or loss.

Income tax

Income tax expense represents the sum of the income tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

G ENTERTAINMENT GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

Income tax (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Impairment of assets excluding goodwill

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

G ENTERTAINMENT GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

Financial instruments (continued)

Receivables

Receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Investments

Investments are recognized and derecognized on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs and are classified as follows:

- Available-for-sale investments

Available for sale financial assets are non-derivatives that are either designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Available for sale investments are those acquired and held for an unspecified period of time and may be sold to cover cash flow deficiencies, fluctuations in interest rates, exchange rates or other security prices. For available-for-sale investments, gains and losses arising from changes in fair value are recognized in other comprehensive income and then in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognized at cost less impairment.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses on available-for-sale financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

G ENTERTAINMENT GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

Financial instruments (continued)

Investments (continued)

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of investments is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale investments the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

For investments measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available for sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Payables

Payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

G ENTERTAINMENT GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is measured again, with any changes in fair value recognized in profit or loss for the year.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

G ENTERTAINMENT GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. Financial risk management

Financial risk factors

The Company is exposed to market price risk, interest rate risk, credit risk, liquidity risk, currency risk, operational risk, litigation risk, reputation risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

3.1 Market price risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Company's available-for-sale financial assets are susceptible to market price risk arising from uncertainties about future prices of the investments.

3.2 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

3.3 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument leading to a financial loss. The Company is exposed to credit risk from its operating activities, primarily receivables from related parties and cash at bank. The Company has policies in place for monitoring its credit risk exposure.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2017	2016
	€	€
Cash at bank (Note 15)	724	100
Receivables from own subsidiaries (Note 20.4)	<u>1.494.736</u>	<u>3.592.543</u>
	<u><u>1.495.460</u></u>	<u><u>3.592.643</u></u>

3.4 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

31 December 2017	Carrying amounts	Contractual cash flows	3 months or less	3-12 months	1-2 years	2-5 years	More than 5 years
	€	€	€	€	€	€	€
Payables to shareholders (Note 19, 20.5)	56.269	56.269	56.269	-	-	-	-
Other payables (Note 19)	12.510	12.510	12.510	-	-	-	-
Loans from shareholders (Note 18, 20.6)	3.626	3.626	3.626	-	-	-	-
Director fees due to executive directors (Note 19, 20.7)	59.338	59.338	59.338	-	-	-	-
Director fees due to non-executive directors (Note 19, 20.7)	<u>7.215</u>	<u>7.215</u>	<u>7.215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>138.958</u></u>	<u><u>138.958</u></u>	<u><u>138.958</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

G ENTERTAINMENT GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. Financial risk management (continued)

3.4 Liquidity risk (continued)

31 December 2016	Carrying amounts €	Contractual cash flows €	3 months or less €	3-12 months €	1-2 years €	2-5 years €	More than 5 years €
Payables to shareholders (Note 19, 20.5)	67.478	67.478	67.478	-	-	-	-
Director fees due to non-executive directors (Note 19, 20.7)	5.000	5.000	5.000	-	-	-	-
	<u>72.478</u>	<u>72.478</u>	<u>72.478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

3.5 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the British Pound. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

	Liabilities		Assets	
	2017	2016	2017	2016
	€	€	€	€
British Pounds	<u>(59.895)</u>	<u>(67.478)</u>	<u>608.832</u>	<u>1.880.250</u>
	<u>(59.895)</u>	<u>(67.478)</u>	<u>608.832</u>	<u>1.880.250</u>

Sensitivity analysis

A 10% strengthening of the Euro against the following currencies at 31 December 2017 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Profit or loss	
	2017	2016
	€	€
British Pounds	<u>54.894</u>	<u>181.277</u>

3.6 Operational risk

Operational risk is the risk that derives from the deficiencies relating to the Company's information technology and control systems as well as the risk of human error and natural disasters. The Company's systems are evaluated, maintained and upgraded continuously.

3.7 Litigation risk

Litigation risk is the risk of financial loss, interruption of the Company's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the Company to execute its operations.

3.8 Reputation risk

The risk of loss of reputation arising from the negative publicity relating to The Company's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Company. The Company applies procedures to minimize this risk.

G ENTERTAINMENT GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. Financial risk management (continued)

3.9 Capital risk management

The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

Fair value measurements recognised in statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2017	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets				
Available for sale investments	-	-	608.832	608.832
Total	-	-	608.832	608.832
31 December 2016	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets				
Available for sale investments	-	1.880.250	-	1.880.250
Total	-	1.880.250	-	1.880.250

Valuation techniques and key inputs

Available-for-sale investment as at 31 December 2017, represents participation rights in a live stage production (Note 13). The fair value of available-for-sale investments at 31 December 2016 represented the acquisition cost at initial recognition, translated by the period-end exchange rate for investments denominated in a foreign currency.

During the year there has been a transfer of the available-for-sale investment from level 2 to level 3. This is due to the fact that last year available-for-sale investment was valued using the cost approach as the Company had no operations until 20 March 2017 (premiere of the show). For the year ended 31 December 2017, available-for-sale investment was valued using the income approach and specifically the net cash flow to equity holders method and by taking into account the agreement signed between the two parties.

The Board of Directors considers that this is the most appropriate approximation of the fair value of the available-for-sale investments as at 31 December 2017.

G ENTERTAINMENT GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

3. Financial risk management (continued)

Fair value estimation (continued)

For available-for-sale investment categorised into Level 3 of the fair value hierarchy, the following information is relevant:

	Valuation technique	Significant unobservable input(s)	Sensitivity
Available-for-sale investment (Note 13)	Income approach (net cash flow to equity holders)	Net cash flows expected to be derived from the investment discounted using a discount factor of 19,84% and translated using the closing rate.	A slight decrease in revenues would result in a decrease in the fair value of the investment, and vice versa.

4. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Fair value of financial assets**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The fair value of the financial assets available for sale has been estimated based on the fair value of these individual assets.

Information about the fair value of financial assets is disclosed in notes 3 and 13.

- **Recoverability of amount receivable**

The Company periodically evaluates the recoverability of amount receivable whenever indicators of impairment are present. Indicators of impairment include such items as declines in earnings or cash flows or material adverse changes in the economic or political stability of a particular country in which the borrower operates, which may indicate that the carrying amount of the receivable is not recoverable. If facts and circumstances indicate that amount receivable may be impaired, the estimated future discounted cash flows associated with these receivables would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **Impairment of available-for-sale investments**

The Company follows the guidance of IAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

G ENTERTAINMENT GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4. Critical accounting estimates and judgments (continued)

- **Impairment of investments in associates**

The Company periodically evaluates the recoverability of investments in associates whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in associates may be impaired, the estimated future discounted cash flows associated with these associates would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

5. Segmental analysis

2017	British Virgin Islands	United Kingdom	Hong Kong	Cyprus	Total
	€	€	€	€	€
Non-current assets	1.585.343	67.478	-	-	1.652.821
21/08/2015 - 31/12/2016	British Virgin Islands	United Kingdom	Hong Kong	Cyprus	Total
	€	€	€	€	€
Non-current assets	-	67.478	-	-	67.478

6. Other expenses

	2017	21/08/2015 - 31/12/2016
	€	€
Equity-settled awards to key management personnel and other parties	-	1.631.530
Impairment of amount receivable from own subsidiary (Note 14)	1.202.754	-
	1.202.754	1.631.530

On 3 October 2016, the Board Of Directors decided on the basis of the Share Plan, pursuant to the resolution approved by the Extraordinary General Meeting dated 26 September 2016, to issue and allot 42.104.000 ordinary shares of nominal value €0,0001 per share to key management personnel and 10.526.000 shares of nominal value €0,0001 per share to a third party.

As per International Financial Reporting Standard (IFRS) 2 "Share-based Payments" the equity-settled award granted to key management personnel was recognized at fair value on the grant date of €0,031.

Regarding the free shares granted to the third party, no service conditions were imposed, hence the fair value of the goods or services received could not be estimated reliably. As a result, the equity-settled award granted to the third party was recognized at fair value on the grant date of €0,031.

Fair value on the grant date was estimated according to a similar transaction of share issue to investors.

The total value of the equity instruments issued of €1.631.530 was recognized as other expense in the prior period as the Share Plan did not include any vesting conditions. According to the contractual agreement, 50% of the allotted shares may be sold 6 months following the listing date of 16 December 2016, whereas the remaining 50% may be sold 12 months following the listing date. The difference between the nominal value of the ordinary shares issued and the fair value of the equity instrument was recognized as an equity-settled awards reserve (note 17) of €1.626.267.

G ENTERTAINMENT GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

7. Operating loss

	2017	21/08/2015 - 31/12/2016
	€	€
Operating loss is stated after charging the following items:		
Auditors' remuneration for the statutory audit of annual financial statements	39.000	32.500
Auditors' remuneration for tax compliance services	2.000	2.000
Auditors' remuneration for non audit services	9.450	-
Executive directors' consultancy fees (Note 20.3)	427.557	130.732
Non-executive directors' fees (Note 20.3)	34.000	5.000
Legal fees	32.834	15.449
Other professional fees	148.658	260.143
Professional fees - key management personnel (Note 20.3)	108.364	40.696
Salaries - key management personnel (Note 20.3)	<u>88.000</u>	<u>-</u>

The average number of employees employed by the Company during the year 2017 is 1 (2016: Nil).

8. Net finance costs

	2017	21/08/2015 - 31/12/2016
	€	€
Foreign exchange gain	<u>11.209</u>	<u>-</u>
Finance income	<u>11.209</u>	<u>-</u>
Foreign exchange losses	(55.986)	(50.213)
Sundry finance expenses	(2.099)	(311)
Interest expense	<u>(3.626)</u>	<u>-</u>
Finance costs	<u>(61.711)</u>	<u>(50.524)</u>
Net finance costs	<u>(50.502)</u>	<u>(50.524)</u>

9. Income tax

	2017	21/08/2015 - 31/12/2016
	€	€
Corporation tax - current year/period	-	-
Corporation tax - prior years	<u>-</u>	<u>-</u>
Charge for the year/period	<u>-</u>	<u>-</u>

The total charge for the year can be reconciled to the accounting results as follows:

	2017	21/08/2015 - 31/12/2016
	€	€
Loss before income tax	<u>(4.565.747)</u>	<u>(2.275.777)</u>
Income tax calculated at the applicable tax rates	(570.718)	(284.472)
Tax effect of expenses not deductible for income tax purposes	536.817	279.496
Tax effect of allowances and income not subject to income tax	(1.401)	-
Tax effect of tax loss for the year/period	<u>35.302</u>	<u>4.976</u>
Tax charge	<u>-</u>	<u>-</u>

The Company is subject to corporation tax on taxable profits at the rate of 12,5%.

G ENTERTAINMENT GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

9. Income tax (continued)

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

The Company has unused tax losses of €40.278 (2016: €4.976) for which no deferred tax asset has been recognised.

10. Loss per share attributable to equity holders of the parent

	2017	21/08/2015 - 31/12/2016
Loss for the year/period (€)	(4.565.747)	(2.275.777)
Weighted average number of ordinary shares in issue during the year	675.824.679	576.997.672
Loss per share (cent)	(0,68)	(0,39)

11. Investment in subsidiary

	2017 €	2016 €
Balance at 1 January/21 August 2015	67.478	-
Additions	-	67.478
Impairment charge	-	-
Balance at 31 December 2016	67.478	67.478

On 22 December 2015 the Company acquired 100% of the share capital of G Entertainment (United Kingdom) Limited. The transaction involved the purchase of shares with total value of GBP50.000 (€67.478).

On 9 June 2017, the Company acquired 100% of the share capital of G Entertainment (HK) Limited. The transaction involved the purchase of shares with total value of HKD 1,00 (€0,10).

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2017 Holding %	2016 Holding %	2017 €	2016 €
G Entertainment (United Kingdom) Limited	United Kingdom	Holding of investments	100	100	67.478	67.478
G Entertainment (HK) Limited	Hong Kong	Dormant	100	0	-	-
					67.478	67.478

As part of the impairment review at 31 December 2017, the Board of Directors assessed that no impairment provision was necessary.

12. Investment in associate

	2017 €	2016 €
Balance at 1 January/21 August	-	-
Reclassified from available-for-sale investments (Note 13)	2.785.343	-
Impairment charge	(1.200.000)	-
Balance at 31 December 2016	1.585.343	-

G ENTERTAINMENT GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12. Investment in associate (continued)

The details of the investments are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2017 Holding %	2016 Holding %	2017 €	2016 €
Single Yard Holdings Limited	British Virgin Islands	Licensed exchange and advance deposit wagering platform	28,98	0	<u>1.585.343</u>	-

As part of the impairment review at 31 December 2017, the Board of Directors assessed that an impairment of €1.200.000 was necessary to write down the investment to its recoverable amount based on the financial prospects, current financial conditions and financing potential of the associate. The historical financial information of the associate was based on unaudited management accounts prepared under International Financial Reporting Standards (IFRSs).

13. Available-for-sale investments

	2017 €	2016 €
Balance at 1 January/21 August 2015	1.880.250	-
Additions	2.461.908	1.912.102
Impairment loss on available-for-sale investments	(854.152)	-
Exchange differences recognised through other comprehensive income (Note 17)	(40.309)	(26.729)
Reclassified to investments in associates	(2.785.343)	-
Exchange differences recognised through profit or loss	<u>(53.522)</u>	<u>(5.123)</u>
Balance at 31 December 2016	<u>608.832</u>	<u>1.880.250</u>

Single Yard Holdings Limited

On 23 May 2016, the Company entered into a Convertible Loan Note and Subscription Agreement ("SYH Agreement") to acquire unsecured convertible loan notes ("Notes") of GBP1.103.000 (€1.319.253) in integral multiples of GBP1.000 and one share of GBP1.361 (€1.745) in Single Yard Holdings Limited ("SYH"). According to the agreement and the deeds of variation signed thereon, the Company had the right to call on SYH to issue an additional total amount of GBP3.945.636 in Notes which would be issued in nine different tranches within 52 weeks after the listing date of 16 December 2016. If the Company proceeded with the issue of all the remaining loan notes, all loan notes would be automatically converted into 8.822 fully paid shares in SYH at a GBP572,31 conversion price, 53 weeks after listing, representing 60% participation in SYH. If the Company decided not to subscribe for a particular issue of notes, then all outstanding notes at the time held by the Company, would be automatically converted into fully paid shares in SYH at a different conversion price.

The Company held a Warrant Certificate dated 28 May 2016 issued by SYH for the amount of 5.000 Warrants which certified that the Company was the registered holder of 5.000 Warrants. The Warrants entitled the Company to subscribe to SYH Warrant Shares at the Subscription Price, as dictated by the SYH Agreement and the deeds of variation. The Warrants were attached to the unsecured convertible loan notes and were designed to prevent the dilution of the equity instruments, when converted. In the event that an automatic conversion of loan notes occurred, the rights of the Company to exercise the Warrants would cease.

On 13 January 2017 the Company invested an amount of €918.746 (£100.000) in Single Yard Holdings Limited in unsecured, not guaranteed, convertible loan notes. On 26 May 2017 the Company invested a further €116.630 (£100.000) in Single Yard Holdings Limited in unsecured, not guaranteed, convertible loan notes. On 1 July 2017 the Company invested a further €496.006 (£435.091,23) in Single Yard Holdings Limited in unsecured, not guaranteed, convertible loan notes.

G ENTERTAINMENT GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

13. Available-for-sale investments (continued)

On 14 July 2017, the Company announced that no further investment will be made in Single Yard Holdings Limited. Convertible loan notes were automatically converted into share capital in Single Yard Holdings Limited, comprising of 2,400 fully paid ordinary shares at a conversion price of approximately €1.117 (£1.016) each. The total investment in convertible loan notes of €2,783,788 (£2,438,091) and the existing shareholding in one share of €1,745 (£1,361) comprise a participation in Single Yard Holdings Limited of 28,98% (Note 12). On the same day, the investment in Single Yard Holdings Limited was reclassified to Investment in Associates.

GL (42ND ST) LTD

On 9 September 2016, the Company entered into an agreement with GL (42ND ST) LTD to subscribe for a cash consideration of GBP500,000 (€591,104) towards the total capitalization of GBP6,000,000 of a live stage production of the musical "42nd Street". According to the agreement, the Company will receive a portion (8,33%) of the available net proceeds equal to its participation in the live stage production.

On 1 March 2017 the Company entered into an agreement to make an additional investment in GL (42ND ST) LTD for a cash consideration of €700,104 (£600,000) thus increasing the Company's participation in the net proceeds from 8,33% to 18,33%. Additionally, on 10 March 2017 the Company entered into an agreement to make an additional investment in GL (42ND ST) LTD for a cash consideration of €230,422 (£200,000) thus increasing the Company's participation in the net proceeds from 18,33% to 21,67%.

As the available-for-sale investment comprises only a participation in proceeds in GL (42ND ST) LTD and the Company has no power to participate in its financial and/or operating decisions, no significant influence exists and the investment does not meet the definition of investment in associate.

An impairment loss of €854,152 has been recognised in the Profit or Loss for the year ended 31 December 2017 arising from the use of income approach and specifically the net cash flow to equity holders method and by taking into account the signed agreement between the two parties. The loss was recognised in the Profit or Loss.

For the determination of fair value of the available for sale financial assets please refer to Note 3.

14. Receivables

	2017	2016
	€	€
Receivables from own subsidiaries (Note 20.4)	1.494.736	3.592.543
Deposits and prepayments	10.285	14.334
	<u>1.505.021</u>	<u>3.606.877</u>

As part of the impairment review at 31 December 2017, the Board of Directors assessed that an impairment of €1,202,754 was necessary regarding the amount receivable from own subsidiary since it has been assessed as non-recoverable.

The fair values of receivables due within one year approximate to their carrying amounts as presented above.

The exposure of the Company to credit risk and impairment losses in relation to receivables is reported in note 3 of the financial statements.

15. Cash and cash equivalents

Cash balances are analysed as follows

	2017	2016
	€	€
Cash at bank	724	100
	<u>724</u>	<u>100</u>

G ENTERTAINMENT GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

15. Cash and cash equivalents (continued)

The exposure of the Company to credit risk and interest rate risk in relation to cash and cash equivalents is reported in note 3 of the financial statements.

16. Share capital

	2017 Number of shares	2017 €	2016 Number of shares	2016 €
Authorised				
Ordinary shares of €0,01 each	800.000.000	8.000.000	-	-
Ordinary shares of €0,0001 each	-	-	3.000.000.000	300.000
	800.000.000	8.000.000	3.000.000.000	300.000
		€		€
Issued and fully paid				
Balance at 1 January/21 August	1.169.590.000	116.959	-	-
Issue of share capital	10.479.840	104.798	1.169.590.000	116.959
Issue of bonus shares	660.063.965	6.600.640	-	-
Change of nominal value	(1.157.894.100)	-	-	-
Balance at 31 December 2016	682.239.705	6.822.397	1.169.590.000	116.959

Authorised capital

On 21 August 2015, under its Memorandum the Company fixed its share capital at 100.000 ordinary shares of €1,00 each.

On 15 January 2016, the Company increased its authorized share capital to 300.000 ordinary shares of €1,00 each. On the same date, the Company converted the authorized share capital from 300.000 ordinary shares of €1,00 each to 3.000.000.000 ordinary shares of €0,0001 each.

On 24 March 2017, the Company converted the authorised share capital from 3.000.000.000 ordinary shares of €0,0001 each to 30.000.000 ordinary shares of €0,01 each. On the same date, the Company increased the authorised share capital to 800.000.000 shares of €0,01 each.

Issued capital

On 21 August 2015, the Company issued 100.000 ordinary shares of nominal value €1.00 each.

On 15 January 2016, the Company increased its authorized share capital to 300.000 ordinary shares of nominal value €1,00 each. On the same date, the Company converted the authorized share capital from 300.000 ordinary shares of nominal value €1,00 each to 3.000.000.000 ordinary shares of nominal value €0,0001 each.

On 3 October 2016 the Company made a bonus issue of 42.104.000 shares to key management personnel and 10.526.000 shares to a third party at the price of €0,031 per share. On 4 October 2017, the Company issued 116.960.000 ordinary shares to a strategic investor at the price of €0,031 per share, resulting in a share premium of €3.614.064.

On 3 January 2017, the Company issued 20.000.000 shares of nominal value €0,0001 each to Crystal Voyage Ltd at the price of €0,10 per share, resulting in a share premium of €1.998.000.

On 1 March 2017, the Company issued 10.526.300 shares of nominal value €0,0001 each to Crystal Voyage Ltd at the price of €0,095 per share, resulting in a share premium of €998.986.

On 20 April 2017, the Company converted the issued share capital from 1.200.116.300 ordinary shares of nominal value €0,0001 each to 12.001.163 ordinary shares of nominal value €0,01 each.

G ENTERTAINMENT GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

16. Share capital (continued)

On the same date, the Company issued 660.063.965 shares as bonus shares to existing shareholders at its nominal value, utilising most of its share premium account.

On 6 June 2017, the Company issued 5.294.118 ordinary shares of nominal value €0,01 each to Crystal Voyage Ltd at the price of €0,17 per share, resulting in a share premium of €847.059.

On 14 July 2017, the Company issued 3.529.411 ordinary shares of nominal value €0,01 each to Nearchi Investments Ltd at the price of €0,17 per share, resulting in a share premium of €564.706.

On 8 December 2017, the Company issued 1.351.048 ordinary shares of nominal value €0,01 each to Crystal Voyage Ltd at the price of €0,126 per share, resulting in a share premium of €156.722. For the consideration of the shares issued, Crystal Voyage Ltd has repaid the principal amount owed to Jenwell Ltd of €111.234 (GBP100.000) (note 18) and paid the remaining amount to the Company.

17. Other reserves

	Share premium €	Equity-settled awards reserve €	Fair value reserve - available-for- sale investments €	Additional Capital Contribution €	Shares to be issued €	Total €
Balance at 21 August 2015	-	-	-	-	-	-
Exchange differences on available-for-sale investments recognised through other comprehensive income	-	-	(26.729)	-	-	(26.729)
Issue of ordinary shares to key management personnel and other parties as equity- settled awards	-	1.626.267	-	-	-	1.626.267
Issue of share capital (note 15)	3.614.064	-	-	-	-	3.614.064
Additional capital contribution	-	-	-	391.443	-	391.443
Shares to be issued	-	-	-	-	2.000.000	2.000.000
Balance at 31 December 2016/ 1 January 2017	3.614.064	1.626.267	(26.729)	391.443	2.000.000	7.605.045
Exchange differences on available-for-sale investments recognised through other comprehensive income	-	-	(40.309)	-	-	(40.309)
Reclassification to profit or loss	-	-	67.038	-	-	67.038
Issue of share capital (note 16)	4.565.433	-	-	-	(2.000.000)	2.565.433
Issue of bonus shares (note 16)	(6.600.640)	-	-	-	-	(6.600.640)
Balance at 31 December 2017	1.578.857	1.626.267	-	391.443	-	3.596.567

The fair value reserve for investments represents accumulated gains and losses arising on the revaluation of available-for-sale investments that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

17. Other reserves (continued)

On 21 August 2016, the nominee shareholders of the Company transferred 49.950.000 shares of €0,0001 each to 17 shareholders. No cash consideration was received as the 17 new shareholders signed an agreement where the repayment of the loans provided to the subsidiary company, G Entertainment Limited, was forgiven in exchange of shares in the Company. The difference between the amount of loans waived and the nominal value of the ordinary shares of €391.443 was recognized as additional capital contribution.

On 3 October 2016, the Board of Directors decided on the basis of the Share Plan, pursuant to the resolution approved by the Extraordinary General Meeting dated 26 September 2016, to issue and allot 42.104.000 ordinary shares of nominal value €0,0001 per share to key management personnel and 10.526.000 shares of nominal value €0,0001 per share to a third party. As per International Financial Reporting Standard (IFRS) 2 "Share-based Payments" the equity-settled award granted to key management personnel was recognized at fair value on the grant date of €0,031. Regarding the free shares granted to the third party, no service conditions were imposed, hence the fair value of the goods or services received could not be estimated reliably. As a result, the equity-settled award granted to the third party was recognized at fair value on the grant date of €0,031. The difference between the nominal value of the ordinary shares issued and the fair value of the equity instrument was recognized as an equity-settled awards reserve of €1.626.267.

On 3 January 2017 the Company issued 20.000.000 ordinary shares for €0.10 per share to Crystal Voyage Limited. The subscription agreement was signed on 10 October 2016 and on 31 December 2016 the Company received €2.000.000 for the shares. The amount was recognised as at 31 December 2016 as a shares to be issued reserve.

18. Borrowings

	2017	2016
	€	€
Balance at 1 January/21 August	-	-
Additions	114.860	-
Repayments	(111.234)	-
Balance at 31 December 2016	3.626	-

	2017	2016
	€	€
Current borrowings		
Loans from shareholders (Note 20.6)	3.626	-

On 20 September 2017, the Company signed a Loan Agreement with one of its main shareholders, Jenwell Limited, to receive a €339.127 (GBP300.000) loan which would be given on the 10th calendar day of October, November and December 2017 in three equal tranches. The Loan bore an interest of 2% per month and was repayable within 30 calendar days starting from the last tranche given.

On 12 October 2017, based on the Loan Agreement mentioned above, the Company received the first tranche of the amount of €111.234 (GBP100.000).

On 8 December 2017, the Company issued 1.351.048 ordinary shares to Crystal Voyage Ltd at €0,126 per share, resulting in a share premium of €156.722. For the consideration of the shares issued, Crystal Voyage Ltd repaid the principal amount owed to Jenwell Ltd of €111.234 (GBP100.000) (note 16) and paid the remaining amount to the Company.

During the year, interest expense which also represents accrued interest expense as at the year end of €3.626 (GBP3.222) was recognised in profit or loss (Note 20.6).

G ENTERTAINMENT GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

19. Payables

	2017	2016
	€	€
Other payables	12.510	-
Director fees due to non-executive directors (Note 20.7)	7.215	5.000
Director fees due to executive directors (Note 20.7)	59.338	-
Accruals	51.000	36.000
Payables to shareholders (Note 20.5)	56.269	67.478
	<u>186.332</u>	<u>108.478</u>

The fair values of payables due within one year approximate to their carrying amounts as presented above.

20. Related party balances and transactions

The key shareholders of the Company are Zheng Yongxiong, XU Vicky Hui and Blackrun Ventures Limited.

The related party balances and transactions are as follows:

20.1 Transactions with shareholders

		2017	21/08/2015 - 31/12/2016
	<u>Nature of transactions</u>	€	€
Jenwell Limited	Interest expense	<u>3.626</u>	<u>-</u>

20.2 Transactions with related parties

		2017	21/08/2015 - 31/12/2016
	<u>Nature of transactions</u>	€	€
Sports Trading Network Limited	Rent	<u>8.743</u>	<u>29.541</u>

On 29 April 2016, the Company entered into an agreement with the related company, Sports Trading Network Limited, for the provision of shared office space. The agreement expired on 1 February 2017.

20.3 Transactions with key management personnel

		2017	21/08/2015 - 31/12/2016
		€	€
Executive directors' consultancy fees		427.557	130.732
Non-executive directors' fees		34.000	5.000
Professional fees - key management personnel		108.364	40.696
Equity-settled award to key management personnel		-	1.305.224
Salaries - key management personnel		<u>88.000</u>	<u>-</u>

On 1 June 2016, the Company entered into a consultancy agreement with the executive director, Brooke Greville, for the provision of consultancy services as Chief Executive Officer for GBP8.000 per month. On 12 December 2017 the executive director has provided a six months' notice for the termination of the agreement.

On 1 June 2016, the Company entered into a consultancy agreement with Bryant Park Consulting Ltd for the provision of consultancy services by the executive director, Richard Carter for GBP8.000 per month. The agreement is valid until either of the two parties provides a six months' notice for the termination of the agreement.

On 3 October 2016, the Board of Directors decided on the basis of the Share Plan, pursuant to the resolution approved by the Extraordinary General Meeting dated 26 September 2016, to issue and allot 42.104.000 ordinary shares of nominal value €0,0001 per share to key management personnel. As per International Financial Reporting Standard (IFRS) 2 "Share-based Payments" the equity-settled award granted to key management personnel was recognized at fair value on the grant date of €0,031 (note 6).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

20. Related party balances and transactions (continued)

On 1 April 2017, the Company entered into a consultancy agreement with the executive director, Zheng Yongxiong, for the provision of consultancy services for GBP8,000 per month. The agreement is valid until either of the two parties provides a six months' notice for the termination of the agreement.

On 1 April 2017, the Company entered into a consultancy agreement with the executive director, Jason Ki Ho Fong, for the provision of consultancy services as Chief Legal Officer for GBP8,000 per month. The agreement is valid until either of the two parties provides a six months' notice for the termination of the agreement.

On 1 April 2017, the Company entered into a consultancy agreement with the executive director, Wei Wang, for the provision of consultancy services for GBP8,000 per month. On 9 August 2017, during the Annual General Meeting of the Company, the executive director was not re-elected to continue in office.

On 1 December 2017, the Company entered into a consultancy agreement with Fillmore International Ltd for the provision of consultancy services by the executive director, Sing Lin for GBP8,000 per month. The agreement is valid until either of the two parties provides a six months' notice for the termination of the agreement.

20.4 Receivables from own subsidiary (Note 14)

<u>Name</u>	<u>Nature of transactions</u>	2017 €	2016 €
G Entertainment Limited	Finance	<u>1,494,736</u>	<u>3,592,543</u>
		<u>1,494,736</u>	<u>3,592,543</u>

The Company has indicated its intention to provide financial support to the subsidiary company, G Entertainment Limited, to enable it to continue as a going concern and to meet its obligations as they fall due.

20.5 Payables to shareholders (Note 19)

<u>Name</u>	2017 €	2016 €
Shareholders	<u>56,269</u>	<u>67,478</u>
	<u>56,269</u>	<u>67,478</u>

Payables to shareholders represent payable for the acquisition of the subsidiary company, G Entertainment Limited, which was previously owned by a part of the current shareholders of the Company.

20.6 Loans from shareholders' (Note 18)

	2017 €	2016 €
Jenwell Limited	<u>3,626</u>	<u>-</u>
	<u>3,626</u>	<u>-</u>

20.7 Directors fees due to the Company's directors (Note 19)

	2017 €	2016 €
Non-executive directors	<u>7,215</u>	<u>5,000</u>
Executive directors	<u>59,338</u>	<u>-</u>
	<u>66,553</u>	<u>5,000</u>

21. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2017.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

22. Commitments

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2017	2016
	€	€
Within one year	-	8.787
	<u>-</u>	<u>8.787</u>

The Company had no capital or other commitments as at 31 December 2017.

23. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements apart from:

- On 23 February 2018, the Company received €170.232 (GBP 100.000) from the strategic investor Crystal Voyage Limited which is wholly owned by the Chairman of the Company.
- On 15 March 2018, the Company received €113.019 (GBP 100.000) from the strategic investor Crystal Voyage Limited which is wholly owned by the Chairman of the Company.

For the above funding given, the Company has not provided any consideration to Crystal Voyage Limited yet.

Independent auditor's report on pages 8 to 11