**PCG Entertainment Plc**

FINANCIAL STATEMENTS

for the year ended 31 March 2019

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**Company Information**

| | |
|---|---|
| **DIRECTORS** | Richard O'Dell Poulden, Chairman<br>Professor Michael Mainelli, Non-Executive<br>Alan David Gravett, Non-Executive<br>Robert Cripps McDowall, Non-Executive |
| **SECRETARY** | AMS Secretaries Limited<br>Suite 16, Watergardens 5<br>Waterport Wharf<br>GX11 1AA<br>Gibraltar |
| **REGISTERED OFFICE** | Suite 16, Watergardens 5<br>Waterport Wharf<br>GX11 1AA<br>Gibraltar |
| **INDEPENDENT AUDITORS** | RSM Audit (Gibraltar) Limited<br>21 Engineer Lane<br>GX11 1AA<br>Gibraltar |
| **LEGAL ADVISORS** | Pinsent Masons LLP<br>30 Crown Place<br>London<br>EC2A 4ES<br>United Kingdom<br><br>Hassans International Law Firm<br>PO Box 199, Madison Building<br>Midtown, Queensway<br>GX11 1AA<br>Gibraltar |
| **PUBLIC RELATIONS** | Damson Communications<br>128 Wigmore Street<br>London W1U 3SA<br>United Kingdom |
| **REGISTRARS** | Computershare Investor Services (Jersey) Limited<br>(as from 5 February 2019)<br>Queensway House<br>Hillgrove Street<br>St Helier<br>Jersey JE1 1ES<br>Channel Islands |

| | |
|---|---|
| **REGISTRARS - continued** | Link Market Services (Guernsey) Limited<br>(up to 4 February 2019)<br>Mont Crevelt House<br>Bulwer Avenue<br>St Sampson<br>Guernsey<br>GY2 4LH |
| **DEPOSITARY** | Computershare Investor Services Plc<br>(as from 5 February 2019)<br>The Pavilions<br>Bridgwater Road<br>Bristol BS13 8AE<br>United Kingdom |
| | Link Asset Services<br>(up to 4 February 2019)<br>The Registry<br>34 Beckenham Road<br>Kent<br>BR3 4TU<br>United Kingdom |
| **BANKERS** | Bank of China<br>1 Lothbury<br>London<br>EC2R 7DB<br>United Kingdom |
| **NEX CORPORATE ADVISER** | First Sentinel Corporate Finance Limited<br>(as from 28 June 2019)<br>55 Park Lane, Mayfair<br>London<br>W1K 1NA<br>United Kingdom |
| **NOMINATED ADVISOR & BROKER** | Allenby Capital Limited<br>(up to 31 May 2019)<br>5 St. Helen's Place<br>London<br>EC3A 6A B<br>United Kingdom |
| **REGISTERED NUMBER** | 107915 |

**PCG Entertainment Plc**
**Chairman's Statement**

Dear Shareholders,

The major event during the year under review occurred in the first part of 2019 when we negotiated the acquisition of VOX Markets Ltd ("VOX") and Align Research Ltd ("Align Research"). This will create a strong Fintech business that is already profitable.

VOX offers a web and app based platform where investors can obtain and share information on companies and where companies can provide a broad base of information in one secure, regulated location. Currently, VOX has over 190 corporate clients and over 35,000 retail users. I would urge you to look at the website and sign up for the service: https://www.voxmarkets.co.uk/

Align Research offers a research offering for companies where, as its name implies, it only takes on clients where it believes in the story. Align Research then takes a mixture of cash and shares as remuneration from the clients on which it publishes research.

The combination of these two companies creates the strongest offering in this sector in the London market. We see further opportunities domestically but also anticipate international expansion for the enlarged Group.

We expect this transaction will close in early October and further information will be published shortly to call the EGM necessary to confirm the deal. As part of this process, the directors have agreed to waive all rights under their service agreements at the point the acquisition takes place and all payments under these agreements were suspended from the point we agreed the transaction.

**Changes to Advisors and delisting from AIM**

On 20 February 2019, we dismissed SVS Securities Ltd as the company's joint brokers. One should not speak ill of the dead so I will not comment on our reasons for the dismissal.

On 5 March 2018, we had taken the opportunity to dual list PCGE on the NEX Exchange Growth Market ("NEX") in addition to AIM. At this time, NEX had an offer for companies, which were in good standing on AIM, to list at no cost on NEX.

On 28 June 2019, we delisted from AIM but of course retained our NEX listing. On the same day, we appointed First Sentinel Corporate Finance Limited ("First Sentinel") as our NEX Corporate Adviser.

First Sentinel is currently handling the acquisition process for the VOX/Align transaction and will remain advisers following the formation of the new group.

**Disposal of businesses**

As previously reported, we had provided in full for investments in all of the Company's media and gaming related businesses. We disposed of these businesses as of 31 March 2019 with the purchasers taking on all future liabilities from that date. Since they were provided for in full, there is no charge in the accounts for these disposals. This method of disposal also ensured there was no residual liability attaching to the Company from any of the operating subsidiaries thus, leaving the Company clear to make the currently proposed acquisitions.

Although at first glance it appears that the Company has disposed of US$2,737,897, this is not the case. Notes 13 and 14 explain that this was in fact matched against liabilities of US$2,712,897 giving a net write off of US$25,000.

**Group funding and Capital Changes**

On 11 June 2018, the Company closed off the funding raised in the previous year through RiverFort Global Capital. This involved the raising of £303,000 through a placing of 201,000,001 and the payment of £118,855 (US$155,928) to D-Beta One EQ Ltd to end the Equity Sharing Facility.

On 17 December 2018, the Company acquired the 704,988,102 Deferred Shares which were issued as part of the capital reorganisation in January 2018. This had the effect of increasing the unissued shares to 4,755,511,897.

### Financial report

The accounts as reported have been prepared for the period from 1 April 2018 to 31 March 2019. These accounts show that the Company incurred administrative expenses of US$1,065,396 (2018: US$1,384,065). The accounts show cash balances of only US$14,390. This is misleading since to spread risk, the Company also holds cash with other parties as it has done in previous years.

### Conclusion

Following the conclusion of the acquisitions the Company will be renamed VOX Markets and will start a new chapter in its existence under the able stewardship of Martin Luke as CEO.

I believe we can all look forward to substantial growth in the future.

Thank you all for your support.

**Richard O'Dell Poulden**
**Chairman**
30 August 2019

**PCG Entertainment Plc**
**Directors' Report**

The Directors present their report together with audited financial statements of the Company ("PCGE" or "the Company") for the year ended 31 March 2019.

**Principal activities**

The directors are seeking other activities, which add new businesses to the Company.

**Results**

The Company's results for the year are shown in the Statement of Total Comprehensive Income on page 14.

The Directors do not recommend the payment of a dividend for the year ended 31 March 2019 (2018: US$ Nil).

**Business review**

Please refer to the Chairman's Statement on pages 3 to 4.

**Principal risks and uncertainties**

The principal risks and uncertainties facing the Company are the inability of the Company to find additional businesses, which add additional operations. The major event to mitigate this risk is that the Company negotiated the acquisition of VOX Markets Ltd ("VOX") and Align Research Ltd ("Align Research") which occurred in the first part of 2019. This will create a strong Fintech business that is already profitable. The transaction is expected to close in October 2019.

**Financial risk management policies**

Notes 5 and 17 set out the Company's financial risk management policies for its exposure to various risks.

**Post balance sheet events**

Post balance sheet events are disclosed in note 21.

**Directors**

The Directors who served during the year and remuneration during the year were as follows:

| | **Salaries, allowances and benefits in kind US$** |
|---|---|
| Richard O'Dell Poulden | 100,000 |
| Professor Michael Mainelli (a) | 20,000 |
| Alan David Gravett | 25,000 |
| Robert Cripps McDowall | 32,605 |
| | 177,605 |

In addition to the amounts included above, the directors claimed expenses they had incurred on behalf of the Company of US$111,366 (2018: US$197,308).

(a) Pursuant to an agreement dated 15 March 2018 between the Company and Z/Yen Group Limited, a company of which Professor Michael Mainelli is a shareholder, the Company pays director's remuneration to Z/Yen Group Limited.

**Directors (continued)**

The Directors have the following interests in the issued share capital of the Company:

| | **Number of ordinary shares** |
|---|---|
| Richard O'Dell Poulden (a) | 89,956,405 |
| Professor Michael Mainelli (b) | 50,000 |
| Alan David Gravett (c) | 20,000 |

(a) Richard Poulden's interest in the Ordinary Shares (or depositary interests in respect thereof) referred to above as follows (all of such Ordinary Shares, registered via DIs, in the name of Ashton Nominees Inc other than the 65,500,000 Ordinary Shares registered under the Black Swan Group as referred to below):

(i) 3,000,000 ordinary shares belong to Black Swan Plc of which Richard Poulden is the chairman;

(ii) 62,500,000 Ordinary Shares belong to Black Swan FZE, which is a wholly owned subsidiary of Black Swan Plc;

(iii) 3,000,000 Ordinary Shares belong to Richard Poulden's wife and children;

(iv) 19,456,405 Ordinary Shares belong to the Malvern Trust, a trust in respect of which Richard Poulden's family can be beneficiaries; and

(vi) 2,000,000 Ordinary Shares belong to the John Edward Poulden Settlement Trust, a trust for the benefit of Richard Poulden's children.

(b) 50,000 ordinary shares are held by Fairway Trust Limited. These shares are held for The Z/Yen Employee Benefits Trust. Michael Mainelli is a director of Z/Yen Group Limited and a potential beneficiary of The Z/Yen Employee Benefits Trust.

(c) Alan Gravett and his wife, Kim Gravett, jointly legally and beneficially own 20,000 ordinary shares.

**Payments to creditors**

The Company's policy on payment practice is to settle the payment with creditors in accordance with the agreed terms of business transactions.

**Corporate governance**

The Directors have, so far as is practicable given the Company's size and the constitution of the board, complied with all corporate governance provisions. To this end, on 28 September 2018, the Company adopted a new Code of Governance based on the QCA Corporate Governance Code (2018) on a comply or explain basis, with the appropriate disclosures as required by the AIM Rules for Companies. This code is available in the Company's website.

The Directors have adopted terms of reference for an audit committee and remuneration committee. The Directors do not fully comply with the Corporate Governance Code to the extent that there is no nomination committee as the Board does not consider it appropriate to establish it at this stage of the Company's development.

The Directors comply with Rule 21 of the AIM Rules relating to the Directors' dealings as applicable to AIM companies and will also take all reasonable steps to ensure compliance with Rule 21 by the Group's relevant employees.

On 5 March 2018, the Company's entire share capital was admitted to trading on the NEX Exchange Growth Market. Since admission, the Company has complied with the NEX Exchange Growth Market – Rules for Issuers.

**Going Concern**

Your attention is drawn to notes under Going Concern in note 1 to the financial statements and to note 21 on subsequent events.

**Events after the reporting year**

On 28 June 2019, the Company's shares ceased to be traded on AIM as the Company chose not to appoint a replacement NOMAD under AIM Rule 1. The Company's shares continue to be traded on the NEX Exchange.

On 28 June 2019, the Company appointed First Sentinel Corporate Finance Limited as NEX Corporate Adviser.

On 1 July 2019, the Board announced that the proposed acquisition of VOX Markets Ltd ("VOX") and Align Research Ltd ("Align") by PCGE, previously announced on 21 March 2019 is progressing well. The new group will be listed on the NEX Exchange and both parties have signed a heads of agreement on the proposed terms. It is likely that the proposed transaction will constitute a reverse merger under the NEX rules and the final proposal will be the subject of an EGM and approval by PCGE's shareholders.

**Statement regarding disclosure of information to the Auditors**

Each Director of the Company has confirmed that, in fulfilling their duties as a director, they are aware of no relevant audit information of which the Auditors are not aware of and that they have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Auditors are aware of that information.

This information is given and should be interpreted in accordance with the provisions of Gibraltar Companies Act 2014.

**Auditors**

The Statutory auditors are RSM Audit (Gibraltar) Limited.

A resolution for the reappointment of RSM Audit (Gibraltar) Limited will be put to the members at the annual general meeting.

By order of the board

**Richard O'Dell Poulden**
**Director**
30 August 2019

Registered number: 107915

**PCG Entertainment Plc**
**Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs and of the profit or loss of the Company for that year. In preparing those financial statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and estimates that are reasonable and prudent;

c. state whether applicable accounting standards have been followed, subject to any material departures; and

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records, which disclose, with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the requirements of the Gibraltar Companies Act 2014. Specifically, pursuant to section 248 of the Companies Act, the Directors have elected to follow International Financial Reporting Standards. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate financial statements included on the Company's website. Legislation in Gibraltar governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

**Richard O'Dell Poulden**
**Director**
30 August 2019

**RSM Audit (Gibraltar) Limited**

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**Independent auditor's report**
**To the shareholders of PCG Entertainment Plc**

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of PCG Entertainment Plc (the "Company"), which comprise the statement of financial position as at 31 March 2019, and the statement of total comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union; and
- have been prepared in accordance with the Companies Act 2014.

### Basis for opinion

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), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter – Going concern

In forming our opinion on the financial statements, which is not modified in this respect, we have considered the adequacy of the disclosures contained within the notes under Going Concern in note 1 to the financial statements and to note 21 on subsequent events. The possibility of the reverse merger with VOX Markets Ltd ("VOX") and Align Research Ltd ("Align") not taking place may cast doubt on the entity's ability to continue as a going concern.

The Company has net assets of US$240,450 but in the normal course of business, these would not be sufficient to cover the Company's expenses for twelve months from the date of the approval of the financial statements. However, the transaction agreed in principle with VOX and Align, once finalised, should mitigate the going concern consideration.

**Independent auditor's report**
**To the shareholders of PCG Entertainment Plc**

**Report on the audit of the financial statements *(continued)***

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

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.

| Risk | Our response to the risk | Key observations communicated to the audit committee |
|---|---|---|
| **Going concern assessment**<br><br>• As disclosed in Note 1, the financial statements have been prepared on a going concern basis.<br>• The Company has not recognized any income during the year. Furthermore, the Company has net assets of US$240,450 but in the normal course of business, these would not be sufficient to cover the Company's expenses for twelve months from the date of the approval of the financial statements.<br>• There is a risk that a material uncertainty could exist related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern.<br>• The Company closely monitors and manages its capital position and liquidity risk regularly throughout the year to ensure that it has sufficient funds to meet forecast cash requirements and satisfy the working capital requirements and proposed activity. In respect to the planned reverse merger, the Board of Directors is confident that the Company has access to sufficient funds to enable the Company to meet its liabilities as and when they fall due for at least the next twelve months from the date of the approval of the financial statements. | • We identified that the most significant assumption in assessing the Company's ability to continue as a going concern was the expected future profitability of the Company, as the key determinant of the forecasted capital position. The calculations supporting the assessment require management to make highly subjective judgements. The calculations are based on estimates of future performance, and are fundamental to assessing the suitability of the basis adopted for the preparation of the financial statements; and<br>• We assessed all the relevant going concern matters. | We concluded that no further disclosures relating to the Company's ability to continue as a going concern need to be made in the financial statements. |

**Independent auditor's report**
**To the shareholders of PCG Entertainment Plc**

**Report on the audit of the financial statements *(continued)***

**Materiality**

The concept of materiality is fundamental to the preparation of the Company's financial statements and the audit process. Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

For the purposes of an audit, misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Materiality is considered at both the overall financial statement level ("financial statement materiality") and, if applicable, in relation to individual account balances, classes of transactions and disclosures ("element materiality") and is used as a threshold or benchmark against which errors or differences of opinion between management and ourselves can be evaluated.

The financial statement materiality calculated for the Company is US$7,000 which was determined on the basis of 3% of the Company's net assets for the year ended 31 March 2019.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual 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. We have nothing to report in this regard.

**Responsibilities of the directors for the financial statements**

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with applicable law in Gibraltar and International Financial Reporting Standards, as adopted for use in the European Union, and for such internal control as the directors determine is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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 directors either intend to liquidate the Company, or to cease operations, or have no realistic alternative but to do so.

**Independent auditor's report**
**To the shareholders of PCG Entertainment Plc**

**Report on the audit of the financial statements *(continued)***

**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 judgement and maintain professional scepticism 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 directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 fair presentation.

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

We also provide the 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 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.

**Independent auditor's report**
**To the shareholders of PCG Entertainment Plc**

**Report on other legal and regulatory requirements**

***Opinion on other matter prescribed by the Companies Act 2014***

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with the requirements of the Companies Act 2014.

In the light of the knowledge and understanding of the Company, and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

***Matters on which we are required to report by exception***

We have nothing to report in respect of the matter where the Companies Act 2014 requires us to report to you if, in our opinion, we have not received all the information and explanations we require for our audit.

**Use of our report**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 257 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**SVM Cohen**
**Statutory auditor**

**For and on behalf of**
**RSM Audit (Gibraltar) Limited**

21 Engineer Lane
Gibraltar

30 August 2019

**PCG Entertainment Plc**
**Statement of Total Comprehensive Income**
**for the year ended 31 March 2019**

| | Notes | Year ended 31 March 2019 | Year ended 31 March 2018 |
|---|---|---|---|
| | | US$ | US$ |
| **Revenue** | 6 | - | - |
| Cost of Sales | | - | - |
| **Gross Profit** | | - | - |
| Administrative expenses | | (1,065,396) | (1,384,065) |
| Other operating income | | - | 216,390 |
| **Operating loss** | 7 | (1,065,396) | (1,167,675) |
| Loss on equity sharing agreement | 12 | (542,159) | (327,172) |
| Loss on disposal of subsidiary - net | 10 | (25,000) | - |
| Foreign exchange (loss)/gain | | (82,966) | 144,962 |
| Interest payable | | (15,512) | - |
| **Loss before taxation** | | (1,731,033) | (1,349,885) |
| Tax on loss | 9 | - | - |
| **Loss for the financial year from continuing activities** | | (1,731,033) | (1,349,885) |
| Loss for the year from discontinued operations | 10 | (166,478) | - |
| **Total comprehensive loss for the financial year** | | (1,897,511) | (1,349,885) |
| Basic and diluted loss per share: | | | |
| | | **US cents** | **US cents** |
| For continuing activities | | (0.14) | (0.20) |
| For discontinued activities | | (0.02) | - |
| Total basic and diluted | 11 | (0.16) | (0.20) |

There are no recognised gains or losses other than disclosed above.

The notes on pages 18 to 32 form part of these financial statements.

**PCG Entertainment Plc**
**Statement of Financial Position**
**as at 31 March 2019**

| | Notes | 31 March 2019 US$ | 31 March 2018 US$ |
|---|---|---|---|
| **Current assets** | | | |
| Trade and other receivables | 12 | 370,477 | 587,846 |
| Cash and cash equivalents | | 14,390 | 1,388,033 |
| | | 384,867 | 1,975,879 |
| **Non-current assets** | | | |
| Investments | 13 | - | 2,737,897 |
| **Total assets** | | 384,867 | 4,713,776 |
| **Current liabilities** | 14 | 144,417 | 2,974,026 |
| **Equity** | | | |
| Share capital | 15 | 5,642,408 | 5,376,934 |
| Share premium | 15 | 25,088,705 | 24,955,968 |
| Share based payment reserve | 16 | 309,408 | 309,408 |
| Accumulated losses | | (30,800,071) | (28,902,560) |
| | | 240,450 | 1,739,750 |
| **Total equity and liabilities** | | 384,867 | 4,713,776 |

The financial statements were approved by the board and authorised for issue on 30 August 2019 and signed on its behalf by:

**Richard O'Dell Poulden**
**Director**

ADGravett

**Alan David Gravett**
**Director**

Registered number: 107915

The notes on pages 18 to 32 form part of these financial statements.

**PCG Entertainment Plc**
**Statement of Changes in Equity**
**for the year ended 31 March 2019**

| | Share Capital US$ | Share Premium US$ | Share Based Payment Reserve US$ | Accumulated Losses US$ | Total Equity US$ |
|---|---|---|---|---|---|
| **Balance at 31 March 2017** | 3,101,735 | 24,487,537 | 309,408 | (27,552,675) | 346,005 |
| Comprehensive loss for the year | - | - | - | (1,349,885) | (1,349,885) |
| *Transactions with owners:* | | | | | |
| Shares issued during the year | 2,275,199 | 468,431 | - | - | 2,743,630 |
| **Balance at 31 March 2018** | 5,376,934 | 24,955,968 | 309,408 | (28,902,560) | 1,739,750 |
| Comprehensive loss for the year | - | - | - | (1,897,511) | (1,897,511) |
| *Transactions with owners:* | | | | | |
| Shares issued during the year | 265,474 | 132,737 | - | - | 398,211 |
| **Balance at 31 March 2019** | 5,642,408 | 25,088,705 | 309,408 | (30,800,071) | 240,450 |

The notes on pages 18 to 32 form part of these financial statements.

**PCG Entertainment Plc**
**Statement of Cash Flows**
**for the year ended 31 March 2019**

| | Year to 31 March 2019 US$ | Year to 31 March 2018 US$ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the year | (1,897,511) | (1,349,885) |
| Reconciliation to cash generated from operations: | | |
| Exchange rates differences | 101,970 | (175,234) |
| Loss on equity sharing agreement | 542,159 | 327,172 |
| Loss on disposal of subsidiary - net | 25,000 | - |
| Increase in receivables | (177,472) | (125,707) |
| Decrease in payables | (120,214) | (1,097,599) |
| *Net cash flow from operating activities* | (1,526,068) | (2,421,253) |
| | | |
| **Cash flows from financing activities** | | |
| Issue of shares for cash | 398,211 | 2,743,630 |
| Settlement of equity sharing agreement | (155,928) | - |
| Other financing activities | - | (394,841) |
| *Net cash flow from financing activities* | 242,283 | 2,348,789 |
| | | |
| **Net decrease in cash** | (1,283,785) | (72,464) |
| *Effects of exchange rates on cash and cash equivalents* | (89,858) | 180,588 |
| | (1,373,643) | 108,124 |
| Cash at bank and in hand at the start of the year | 1,388,033 | 1,279,909 |
| Cash at bank and in hand at the end of the year | 14,390 | 1,388,033 |

The notes on pages 18 to 32 form part of these financial statements.

## 1 Accounting policies

The principal accounting policies adopted by the Company in the preparation of its financial statements for the year ended 31 March 2019 with comparatives for year ended 31 March 2018 are set out below. The accounting policies have been consistently applied, unless otherwise stated.

### *General information*

PCG Entertainment Plc ("PCG Entertainment") is incorporated in Gibraltar. The registered office is Suite 16, Watergardens 5, Waterport Wharf GX11 1AA, Gibraltar. PCG Entertainment had direct subsidiaries and affiliated companies in China, where its holding was held through the requisite Chinese structure for foreign investors.

In January 2016, PCG Entertainment had a direct 100% holding in PCG Entertainment Limited ("PCGEL") (previously Hong Kong Strategic Services Limited), incorporated in Hong Kong, which was disposed of during the year. PCGEL had a direct 100% holding in its subsidiary Jingtuo World Technology Consulting (Beijing) Limited ("Jingtuo") which was a Wholly Foreign Owned Enterprise ("WFOE") under the laws of the Peoples Republic of China ("PRC") a specialized vehicle to enable PCG Entertainment to invest via a Variable Interest Entity ("VIE") in Beijing Sihai Geju Culture Media Company Limited ("Sihai Geju"). Jingtuo and Sihai Geju were both incorporated in the PRC and both were disposed of along with the disposal of PCGEL during the year.

In January 2016, PCG Entertainment had acquired a direct 100% holding in PCG Software Services Limited ("PCGSS"), incorporated in Gibraltar for GBP 2,000 which was disposed of during the year.

Further details of these divestments are set out in note 10.

Furthermore, PCG Entertainment held 100% of the issued share capital of Centrepoint Development Corporation ("CPDC") which was disposed of in 2017.

Further share allotments have been made during the year as disclosed in note 15.

### *Basis of preparation*

The financial statements of the Company has been prepared in accordance with International Financial Reporting Standards ("IFRSs") and Interpretations issued by the IFRS Interpretations Committee ("IFRIC") as adopted by the European Union and with those parts of the Gibraltar Companies Act applicable to companies reporting under IFRS. These are the standards, subsequent amendments and related interpretations issued and adopted by the International Accounting Standards Board ("IASB") that have been endorsed by the European Union at the year-end. The financial statements have been prepared under the historical cost convention.

### *Going concern*

The Company continues to incur losses. As at 31 March 2019, the Company has net assets of US$240,450 which have significantly decreased from previous year. This would normally not be sufficient to cover the Company's expenses for the next twelve months from the date of the approval of the financial statements. The Company closely monitors and manages its capital position and liquidity risk regularly throughout the year to ensure that it has sufficient funds to meet forecast cash requirements and satisfy the working capital requirements and proposed business activity. The planned reverse merger, which in the Board's opinion is progressing well, is expected to bring future profitability. The Board of Directors is confident that the Company will have access to sufficient funds to enable the Company to meet its liabilities as and when they fall due for at least the next twelve months from the date of approval of the financial statements. For this reason, the directors consider it appropriate to prepare the accounts on a going concern basis.

**1 Accounting policies (continued)**

***Fixed asset investments***

Investments in subsidiary undertakings are stated at cost less permanent provision for impairment.

***Foreign currencies***

The presentational currency for the Company's financial statements is United States Dollars ("US$") and it is this currency in which the Company reports. Monetary assets and liabilities have been translated at rates in effect at the statement of financial position date, with any exchange adjustments being charged or credited to profit or loss.

In the cash flow statement, cash flows denominated in foreign currencies are translated into the presentational currency of the Company at the average exchange rate for the period or at the prevailing rate at the time of the transaction where more appropriate.

***Functional and presentational currencies***

The individual financial information of the entity is measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency).

The functional currency of the Company is the US Dollar ("US$").

***Financial instruments***

Financial assets and financial liabilities are recognised on the statement of financial position when PCGE becomes a party to the contractual provisions of the instrument.

***Trade and other receivables***

Trade 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 the statement of total comprehensive income 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.

***Trade and other payables***

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

***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

## 1 Accounting policies (continued)

***Financial liabilities and equity***

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Equity comprises the following:

- "Share capital" represents amounts subscribed for shares at nominal value.
- "Share premium" represents amounts subscribed for share capital in excess of nominal value.
- "Share based payment reserve" represents the equity element of payments to be settled in equity instruments.
- "Accumulated losses" represents the accumulated profits and losses attributable to equity shareholders.

***Taxation***

The taxation ("tax") expense represents the sum of the tax currently payable and deferred tax.

Current tax

Current tax for each taxable entity in the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the statement of financial position date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred tax

Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred tax is determined using tax rates and laws that have been enacted (or substantively enacted) by the end of the reporting year and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in profit or loss, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

## 2 Standards, Interpretations & Amendments to Published Standards adopted during the year

The following new standards, amendments and interpretations to existing standards have been adopted by the Company during the year.

- IFRS 1 (amendment), 'First-time Adoption of International Financial Reporting Standards'. The amendment is to delete the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose. The amendments are effective for annual periods beginning on or after 1 January 2018. The adoption of this new standard did not have a significant impact on the Company's financial position and results.

- IFRS 2 (amendment), 'Share-based Payment'. The amendments clarify the classification and measurement of share-based payment transactions. Guidance has been added that introduces accounting requirements for cash-settled share-based payments that follows the same approach as used for equity-settled share-based payments. The amendments are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendments are to be applied prospectively. The adoption of this new did not have a significant impact on the Company's financial position or results.

- IFRS 9, 'Financial Instruments'. This standard introduces new requirements for the classification and measurement of financial assets and liabilities, including some hybrid contracts. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Upon adoption of IFRS 9, modified prior period disclosures may be required. IFRS 9 represents the completion of the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses business model and contractual cash flow characteristics to determine whether a financial asset is measured at amortised cost or fair value, replacing the four category classification in IAS 39. The approach is also based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The adoption of this new standard did not have a significant impact on the Company's financial position or results.

- IFRS 15, 'Revenue from Contracts with Customers'. This standard is based on the principle that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The standard establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates. The adoption of this new standard did not have a significant impact on the Company's financial position and results.

- IFRS 15 (amendment), 'Revenue from Contracts with Customers'. The amended standard are clarifications seeking to address certain implementation issues of IFRS 15. The amended standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The amendments address three areas which are identifying performance obligations, principal versus agent considerations, and licensing and provide some transition relief for modified contracts and completed contracts. The adoption of this new standard did not have a significant impact on the Company's financial position and results.

- IAS 18 'Revenue' will be superseded by IFRS 15 Revenue from Contracts with Customers as of 1 January 2018. The adoption of this new standard did not have a significant impact on the Company's financial position and results.

**2 Standards, Interpretations & Amendments to Published Standards adopted during the year - continued**

- IAS 28 (amendment), 'Investments in Associates and Joint Ventures'. The amendment clarified that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The amendments are effective for annual periods beginning on or after 1 January 2018. The adoption of this new standard did not have a significant impact on the Company's financial position and results.
- IFRIC 22, 'Foreign Currency Transactions and Advance Consideration'. The new standard is to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. It is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The adoption of this new standard did not have a significant impact on the Company's financial position and results.

These new standards, amendments and interpretations to existing standards have had no material impact on the financial statements of PCGE.

**3 Standards, Interpretations & Amendments to Published Standards not yet effective**

The following standards and interpretations issued by the IASB or IFRIC have not been adopted by the Company as they were not effective for the year ended 31 March 2019. The Company is currently assessing the impact of these standards and interpretations will have on the presentation of, and recognition in, its results in future periods.

- IFRS 16, 'Leases'. The new standard eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. The standard requires lessees to recognise assets and liabilities for most leases. Lessees applying IFRS 16 will have a single accounting model where all leases will be recorded on the statement of financial position as liabilities, at the present value of the future lease payments, along with an asset reflecting the right to use the asset over the lease term. Rent expense will be replaced with depreciation and interest expenses. Two possible exemptions are available for leases with a maximum term of twelve months or less and leases of low value assets (something in the region of circa £3,000 or less, irrespective of how many such leases there are). Lessors applying IFRS 16 will classify leases using the same principle as in IAS 17 and lessor accounting is substantially unchanged. The adoption of this new standard is not expected to have a significant impact on the Company's financial position and results.
- IAS 17, 'Leases' will be superseded by IFRS 16 Leases as of 1 January 2019. The adoption of this new standard is not expected to have a significant impact on the Company's financial position and results. IAS 23 (amendment), 'Borrowing Costs'. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The amendments are effective for annual periods beginning on or after 1 January 2019. The adoption of this new standard is not expected to have a significant impact on the Company's financial position and results.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

## 4 Critical accounting estimates and judgements

**Critical judgements in applying the Company's accounting policies**

The following are the critical judgements, apart from those involving estimations uncertainty (see below) that management has made in the process of applying the Company's accounting policies and which have the significant effect on the amounts recognised in the financial statements.

***Going concern***

The preparation of the financial statements is based on the going concern assumption as disclosed in note 1. The Board of Directors, after taking into consideration the planned business activity and forecasts, believe the going concern assumption is appropriate.

***Determination of functional currency***

The Directors considers the US$ to be the currency that most faithfully represents the economic effect of the underlying transactions, cash flows, events and conditions of the Company. The US$ is the currency in which the Company measures its performance and reports its results, as well as the currency in which it assesses the viability of projects.

***Adoption of new and amended standards IFRS 9, Financial Instruments***

Effective 1 January 2018, the Company has adopted IFRS 9 in its financial statements.

IFRS 9 did not have a material impact on the financial assets and liabilities held by the Company. The adoption of IFRS 9 did not result in any transitional adjustments. The financial instruments in the previous period accounted for under IAS 39 were measured at amortised cost. This is the same measurement under IFRS 9, with the addition that IFRS 9 has also considered taking into account of expected credit losses.

*Provision or expected credit losses of trade receivables*

Under IFRS 9, a provision should be made for expected credit losses that result from default events on the financial instruments. Default events are events that trigger impairment such as:

- *non-payment of loans over one year*
- *financial covenant breach*
- *insolvency of the counterparty*
- *counterparty credit rating downgrade to the lowest rating given by a credit rating agency (e.g. Moody's, S&P, Fitch).*

Given the limited exposure of the Company to credit risk, this did not have a material impact on the financial statements. The Company only holds cash and trade and other receivables, and which have maturities of less than 12 months at amortised cost and therefore has adopted an approach similar to the simplified approach to ECLs. Given the nature of these financial assets no allowance for expected credit losses have been booked in these financial statements.

**Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

***Valuation of warrants and options***

As described in note 16, the fair value of the warrants and options granted was calculated using the Black & Scholes model which requires the input of highly subjective assumptions, including volatility of the share price. Changes in subjective input assumptions may materially affect the fair value estimate.

## 4 Critical accounting estimates and judgements (continued)

**Key sources of estimation uncertainty (continued)**

***Valuation of investment in subsidiaries***

The Company's investment in its subsidiaries is carried at cost less provision for impairment. The values of the investments are inherently linked to the assets held by and or the performance of the subsidiaries and an impairment review is undertaken by management annually to assess whether any permanent diminution in value has occurred. Due to the closure of business in relation to its subsidiaries, the value of these investments have been fully written off at the end of the reporting year as per note 13.

## 5 Financial risks

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow risk), credit risk and liquidity risk. The Company's overall risk management programme seeks to minimise potential adverse effects on the Company's financial performance.

***(a) Market risk***

***Foreign exchange risk*** **-** The Company has exposure to foreign exchange risk during the periods under review as its cash flows and financial assets and liabilities are mainly denominated in GBP, US$, HK$ and RMB and ultimately reported in US$.

***Fair value interest rate risk and cash flow risk*** - The fair values of financial assets and financial liabilities approximate the carrying amounts of those assets and liabilities reported in the statement of financial position.

***(b) Credit risk***

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, trade receivables, as well as committed transactions. Individual risk limits are set based on limits set by the board.

***(c) Liquidity risk***

The overriding financial risk to the PCGE during the year was that of liquidity. At the current stage of the Company's development, major source of funds is likely to be through the injection of new equity capital or a debt facility, or a combination of such sources.

For further details please refer to note 17.

## 6 Operating segments

Due to the divestment of the Company's subsidiaries, PCGE does not have operating segments.

## 7 Operating loss

Operating loss is stated after charging the following:

| | **2019** | **2018** |
|---|---|---|
| | **US$** | **US$** |
| Fees payable to the Company's auditor for the audit of the financial statements | 22,671 | 44,837 |
| Remuneration of directors of the Company | 177,605 | 188,320 |

## 8 Staff costs

During the year ended 31 March 2019, excluding Directors, the average number of people employed by the Company was Nil (2018: Nil). During the year, the Company paid wages and salaries of US$Nil (2018: US$Nil).

No staff other than the directors are considered key management personnel.

## 9 Taxation

| | **2019** | **2018** |
|---|---|---|
| | **US$** | **US$** |
| Taxation payable | - | - |

The Company is subject to taxation only in respect of all income, which is deemed to accrue in or be derived from Gibraltar at the standard rate of corporation tax of 10% (2018: 10%).

Taxation of the subsidiaries is recognised based on the rules and regulations in their respective countries of incorporation.

| *Tax reconciliation:* | **2019** | **2018** |
|---|---|---|
| | **US$** | **US$** |
| Loss on ordinary activities before taxation | (1,897,511) | (1,349,885) |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in Gibraltar of 10% | (189,751) | (134,989) |
| Non-deductible expenses | 189,751 | 134,989 |
| Total tax expense | - | - |

The Company's operations are in low or zero-rated tax jurisdictions, accordingly the Directors view any deferred tax assets or liabilities as being immaterial and no recognition of such assets or liabilities has been made.

## 10 Discontinued operations

On 31 March 2019, the Company disposed of 100% of the ordinary share capital of PCG Entertainment Limited with nil cash proceeds. As consideration of the sale, the buyer assumes responsibility for all future liabilities of PCGEL and its direct subsidiaries/affiliates after 31 March 2019. PCGEL had no operations and only incurred administrative and office expenses during the year, which have been absorbed by the Company.

| | **2019** |
|---|---|
| | **US$** |
| *Loss from discontinued activities* | |
| Revenue | - |
| Expenses | (166,478) |
| Loss before tax of discontinued activities | (166,478) |
| Tax | - |
| Loss generated by discontinued operation | (166,478) |
| | |
| Loss on disposal of subsidiary | - |
| | (166,478) |

**10 Discontinued operations (continued)**

| | 2019 |
|---|---|
| | US$ |
| *Assets and liabilities of the disposed company* | |
| Intangible fixed assets | 148,457 |
| Current assets | 33,060 |
| Current liabilities | (193,876) |
| Net liabilities disposed of | (12,359) |

On 31 March 2019, the Company disposed of 100% of the ordinary share capital of PCG Software Services Limited (PCGSS) with £1.00 as cash proceeds. As additional consideration of the sale, the buyer also assumes responsibility for all future liabilities of PCGSS after 31 March 2019. PCGSS had no operations and only existed to hold the Kahnakawe gaming license, which has been disposed of as part of the sale.

| | 2019 |
|---|---|
| | US$ |
| *Assets and liabilities of the disposed company* | |
| Intangible assets | 25,000 |
| Current assets | - |
| Current liabilities | - |
| Net assets disposed of / loss on disposal of subsidiary | 25,000 |

**11 Basic and diluted loss per share**

| | 2019 | 2018 |
|---|---|---|
| | US$ | US$ |
| Loss attributable to ordinary shareholders | (1,897,511) | (1,349,885) |
| Weighted average number of common shares in issue during the year: | | |
| Issued ordinary shares at the beginning of the year | - | 2,124,940,508 |
| Effect of share issues before reorganisation | - | 240,423,020 |
| Weighted average number of ordinary shares before reorganisation | - | 2,365,363,528 |
| Weighted average number of new ordinary shares after reorganisation | 1,042,488,102 | 473,072,706 |
| Effect of share issues after reorganisation | 160,493,151 | 199,333,204 |
| Weighted average number of new ordinary shares at 31 March | 1,202,981,253 | 672,405,910 |
| Basic loss per share (US cents) | (0.16) | (0.20) |

Basic loss per share has been calculated by dividing the net results attributable to ordinary shareholders by the weighted average number of shares in issue during the year. Due to the Company being loss making, the warrants (see note 16) are anti-dilutive.

In the prior year, there was a capital reorganisation whereby the Company's existing issued share capital was converted into one new ordinary share of 0.1 pence and one deferred share of 0.4 pence. More detail can be found in note 15. In accordance with IAS 33, 'Earnings Per Share', the comparative has been adjusted retrospectively to reflect this change.

## 12 Trade and other receivables

| | 2019 US$ | 2018 US$ |
|---|---|---|
| Amounts owed by subsidiary undertakings | - | 810,129 |
| Allowance for doubtful debts | - | (810,129) |
| Equity share agreement | - | 394,841 |
| Other receivables | 326,043 | 193,005 |
| Prepayments and accrued income | 44,434 | - |
| | 370,477 | 587,846 |

Following divestment of the subsidiaries, prior year provision for doubtful debt of US$810,129 has been directly written-off against amounts receivable from fellow subsidiary companies.

During the year, the Company agreed to terminate the equity sharing agreement with D-Beta One EQ, Limited. The net effect of the termination to the Company's profit and loss is US$542,159.

## 13 Investments

| Shares in subsidiary undertakings | 2019 US$ | 2018 US$ |
|---|---|---|
| **Cost** | | |
| At 1 April | 2,737,897 | 10,876,140 |
| Impairment (Direct write-off) | - | (8,138,243) |
| At 31 March | 2,737,897 | 2,737,897 |
| **Disposal** | | |
| At 1 April | - | - |
| Elimination at disposal | (2,737,897) | - |
| At 31 March | (2,737,897) | - |
| **Net book value** | | |
| At 31 March | - | 2,737,897 |

The Company disposed of its subsidiaries effective 31 March 2019. The investment in subsidiary undertakings have been off-set against the amounts owed to subsidiary undertakings of US$2,712,897 as per note 14. In the presentation of the Company's accounts at the group level last year, this would not have shown an asset. The net effect of the disposal to the Company's total comprehensive income is US$25,000 as set out in note 10.

## 14 Current liabilities

| | 2019 US$ | 2018 US$ |
|---|---|---|
| Other payables including taxation and social security | 124,202 | 207,682 |
| Amounts owed to subsidiary undertakings | - | 2,712,897 |
| Accruals and deferred income | 20,215 | 53,447 |
| | 144,417 | 2,974,026 |

## 15 Share capital

| Authorised: | **2019 GBP** | **2018 GBP** |
|---|---|---|
| Ordinary shares of GBP 0.001 each | 6,000,000 | 6,000,000 |

Allotted and called up:

| | **2019 Number of shares** | **2019 Share capital US$** | **2019 Share premium US$** | **2018 Number of shares** | **2018 Share capital US$** | **2018 Share premium US$** |
|---|---|---|---|---|---|---|
| As at 1 April | 1,042,488,102 | 5,376,934 | 24,955,968 | 2,124,940,508 | 3,101,735 | 24,487,537 |
| Issued during the year before reorganisation | - | - | - | 1,400,000,003 | 1,806,768 | - |
| Shares before Reorganisation | - | - | - | 3,524,940,511 | 4,908,503 | 24,487,537 |
| Shares after Reorganisation | 1,042,488,102 | 5,376,934 | 24,955,968 | 704,988,102 | 4,908,503 | 24,487,537 |
| Issued during the year after Reorganisation | - | - | - | 337,500,000 | 468,431 | 468,431 |
| Issued during the year | 202,000,001 | 265,474 | 132,737 | - | - | - |
| As at 31 March | 1,244,488,103 | 5,642,408 | 25,088,705 | 1,042,488,102 | 5,376,934 | 24,955,968 |

During the year, the Company issued 202,000,001 ordinary shares at a placing price of 0.15 pence per share on 11 June 2018 (entered on the register on 15 June 2018) in consideration for £303,000.

The Company held an Extraordinary General Meeting ("EGM") on 15 January 2018 in which shareholders approved a resolution for capital reorganisation. As a result of the EGM, the Company's issued share capital of 3,524,940,511 was consolidated on the basis of 5 Existing Ordinary Shares into one Consolidated Share, and in turn, each Consolidated Share was sub-divided into one New Ordinary Share of 0.1 pence and one Deferred Share of 0.4 pence. The new Ordinary Shares were admitted to trading on AIM at 8.00 am on 16 January 2018 ("Admission").

Following Admission, the Company's enlarged issued voting share capital comprised 704,988,102 New Ordinary Shares. The Company does not hold any shares in treasury.

**15 Share capital (continued)**

Following the capital reorganisation, the Company's issued share capital was comprised of 704,988,102 New Ordinary Shares and 704,988,102 Deferred Shares.

The New Ordinary Shares have the same rights as the existing Ordinary Shares including voting, dividend, return of capital and other rights.

The Deferred Shares do not entitle the holder thereof to receive notice of or attend and vote at any general meeting of the Company or to receive a dividend or other distribution. On a return of capital on a winding up or dissolution of the Company, the holders of the Deferred Shares are entitled to participate in the distribution of the assets of the Company pari passu with the holders of the New Ordinary Shares, but only in respect of any excess of those assets above £1 trillion. Effectively, the Deferred Shares have no material value.

The total number of Deferred Shares issued as at 31 March 2018 was 704,988,102.

In 17 December 2018, the Company acquired all of its Deferred Shares of 0.4 pence each for nil consideration. The effect of this transaction is that while the authorised share capital remains unchanged at £6,000,000 the unissued share capital increases.

**16 Share based payments**

The Company issued warrants to service providers on 28 November 2014 in connection with its admission to AIM ("Service Provider Warrants"). Each warrant is convertible into one new ordinary share at an exercise price of 6p per share and may be exercised between 4 December 2014, being the date of admission to AIM, and 4 December 2019.

Following the capital reorganisation described in note 15, the share warrants have been amended to reflect the revised number of warrants which would be issued under the new share structure.

Details of the warrants in issue are as follows:

| | **Before Capital Reorganisation** | | **After Capital Reorganisation** | |
|---|---|---|---|---|
| | **Number of warrants** | **Exercise price GBP** | **Revised Number of warrants** | **Adjusted Exercise price GBP** |
| Service provider warrants | 12,660,248 | 0.06 | 2,532,050 | 0.30 |

The share based payments charge for the Service Provider Warrants was fully recognised in the year ended 31 December 2014 and their fair value was measured at the point of issue by use of the Black & Scholes model with the assumption of 60% future market volatility, future interest rate of 5.6% per annum, no dividend yield and exercise life of one year following issue.

As at 31 March 2019, fair value is measured by use of the Black & Scholes model with the assumption of 50% future market volatility and a future interest rate of 1% per annum based on the current economic climate. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability and exercise restrictions. The fair value of share warrants granted as at 31 March 2019 was US$nil (2018: US$nil).

## 17 Financial instruments

PCGE's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables. PCGE's accounting policies and methods adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are set out in note 1. PCGE does not use financial instruments for speculative purposes.

The principal financial instruments used by PCGE, from which financial instrument risk arises, are as follows:

| | **2019** | **2018** |
|---|---|---|
| | **US$** | **US$** |
| Loans and receivables: | | |
| Trade and other receivables | 370,477 | 587,846 |
| Cash and cash equivalents | 14,390 | 1,388,033 |
| | | |
| Trade and other payables: | | |
| Other creditors | (124,202) | (207,682) |
| Accruals and deferred income | (20,215) | (53,447) |

<u>Capital risk management</u>

The Company's objective when managing capital is to ensure that adequate funding and resources are obtained to enable it to develop its projects through to profitability, while in the meantime safeguarding the Company's ability to continue as a going concern. This is aimed at enabling it, once the projects come to fruition, to provide appropriate returns for shareholders and benefits for other stakeholders. Capital is sourced from equity and from borrowings, as appropriate.

No changes were made in the objectives, policies or processes during the year ended 31 March 2019, nor the year ended 31 March 2018.

<u>Derivatives, financial instruments and risk management</u>

The Company does not use derivative instruments or other financial instruments to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

<u>Liquidity risk</u>

Liquidity risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the Company arise in respect of the ongoing development programs, trade and other payables. Trade and other payables are all payable within 12 months.

The board receives cash flow projections on a regular basis as well as information on cash balances.

<u>Interest risk</u>

The Company has interest rate risk with the banks for banking facilities.

**17 Financial instruments (continued)**

Foreign currency exchange rate risk

The Company undertakes certain transactions in foreign currencies. Hence, exposure to exchange rate fluctuations arises.

The Company incurs foreign currency risk on transactions denominated in currencies other than its functional currency. The currency other than the functional currency that gives rise to this risk at Company level is the GBP. At the year end, the Company's exposure to the currency is minimal; accordingly any increase or decrease in the exchange rates relative to the functional currency would not have a significant effect on the financial statements.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties. The Company's exposure and the credit ratings of its trading counterparties are monitored by the board of Directors to ensure that the aggregate value of transactions is spread amongst approved counterparties.

The Company's principal financial assets are cash and cash equivalents, trade receivables and other accounts receivables. Cash equivalents include amounts held on deposit with financial institutions.

The Company has no significant concentrations of credit risk. Cash is placed with established financial institutions. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

**18 Commitments**

The Company had no capital commitments as at 31 March 2019.

**19 Contingencies**

The Company had no contingencies as at 31 March 2019.

**20 Controlling party**

At 31 March 2019, the Directors do not believe there to be any single controlling party.

**21 Subsequent events**

On 28 June 2019, the Company's shares ceased to be traded on AIM as the Company chose not to appoint a replacement NOMAD under AIM Rule 1. The Company's shares continue to be traded on the NEX Exchange.

On 28 June 2019, the Company appointed First Sentinel Corporate Finance Limited as NEX Corporate Adviser.

On 1 July 2019, the Board of PCGE announced that the proposed acquisition of VOX Markets Ltd ("VOX") and Align Research Ltd ("Align") by PCGE, previously announced on 21 March 2019 is progressing well, as set out under Going Concern in note 1 to the financial statements. The new group will be listed on the NEX Exchange and both parties have signed a heads of agreement on the proposed terms. It is likely that the proposed transaction will constitute a reverse merger under the NEX rules and the final proposal will be the subject of an EGM and approval by PCGE's shareholders.

## 22 Related party transactions

During the year, an amount of US$122,391 was paid to Black Swan Plc in respect of expenses incurred on behalf of the company. As at 31 March 2019, the balance due to Black Swan Plc was US$8,318 (2018: US$25,093).

Damson Communications ("Damson") is a related party by virtue of it being partly owned by a family trust of Richard Poulden being a shareholder of the related party. During the year, the Company was billed by Damson for professional fees of US$46,594 (2018: US$39,061).

Transactions with related parties in respect to directors' fees have been disclosed in the Directors' Report.

Transactions between the Company and former subsidiaries are disclosed in notes 12 and 14 to these financial statements.

## 23 Availability of accounts

The full report and accounts are being posted on the Company's website, www.pcge.com.