Company Registration No. 07751649 (England and Wales)

FACE IT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

FACE IT LIMITED

COMPANY INFORMATION

Directors	N Maisto	
	M Attisani	
	J Seghers	
	J P Farr	
	M Cheung	(Appointed 20 February 2019)
Secretary	L Greening	
Company number	07751649	
Registered office	Millbank Tower 25th Floor 21-24 Millbank London SW1P 4QP	
Auditor	Mercer & Hole 21 Lombard Street London EC3V 9AH	

FACE IT LIMITED

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FACE IT LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Fair review of the business
FACEIT is the #1 online competitive gaming platform, connecting major game publishers to a community of 15m online gamers to enhance the competitive experience.

FACEIT allows gamers to play competitively, win prizes in tournaments and progress in the rankings. The Platform has powerful social dynamics and strong community value with half of the daily users engaging with social features – chatting and interacting with friends and communities.

FACEIT's vision statement is to create the best competitive gaming experiences by supporting and developing ecosystems and communities.

Platform Development
FACEIT has continued to invest heavily in the core platform to ensure that it maintains a market leading position and is the competitive gaming platform of choice for online players. Specific platform developments have included support for multiple game modes and competitive formats, Injectable In-game Matchmaking Interfaces and an In-game developer plugin for multiple Game Engine versions.

Visa partners with FACEIT to support the esports community
Visa and FACEIT has announced an agreement that will create a new dedicated gaming environment for esports enthusiasts. The partnership, leveraging the unique competitive advantages of each brand, will significantly expand gaming experiences for fans around the world. Russia will be the first market for the partnership to launch and will focus on several top esports disciplines relevant for the geography and will be launched commercially with one of Russia's top banks. The collaboration between Visa and FACEIT will focus on designing and distributing fun and unique online programs where esports enthusiasts can develop their gaming skills to participate in different tournament formats.

"According to our estimations, the global esports market is forecasted to reach 500m gamers by 2020. Visa is keen to contribute its payment expertise to the space and deliver added value to this audience. Given the synergy between FACEIT's stronghold on the Russian market, the overall number of esports audience and how receptive Russians are in general to innovative concepts, this is absolutely the right geography to start with." said Evgeniy Zelenyi, head of Strategic Partnerships and Fintech, Visa Russia.

'We're excited to work with such a globally recognised brand and to support their next step into esports," said Niccolo Maisto, Co-Founder & CEO, FACEIT. "This partnership is a shining example of how a brand can become endemic to the esports community and help the overall esports ecosystem grow which is FACEIT's continued mission."

FLASHPOINT

FLASHPOINT, a Counter-Strike: Global Offensive (CS:GO) league owned and run by team organizations, was officially unveiled with FACEIT as a league operator. The competition began in March 2020 and will run two offline seasons per year. It will feature a total $2M prize pool in 2020 and 12 teams—10 partners, and two open qualifiers.

FLASHPOINT will offer "the largest revenue guarantee in CS:GO." The buy-in fee to the league is $2M, with the ownership group including Immortals Gaming Club, invested in part by Lionsgate and AEG, which will compete under its MiBR brand; OverActive Media, which has franchised slots in three other esports leagues, as MAD Lions; and the Harris Blitzer Sports & Entertainment-owned New Meta Entertainment will compete as Dignitas. Other competing shareholders include Cloud9, Gen.G Esports, and c0ntact Gaming.
"Today, many esports leagues are fundamentally broken, pitting the leagues against teams and players to bicker over divergent interests and scraps of economics," said Kent Wakeford, Co-Founder and Vice-Chairman, Gen.G Esports, in a statement. "FLASHPOINT radically changes the model by bringing all groups together to share the rewards of their collective success."

Intended as an esports league for adults, FLASHPOINT bills itself as an antidote to the financial instability and hectic player schedules in CS:GO. Though it directly competes with other competition brands in the market, FLASHPOINT will allow competing teams to participate outside of its events, in accordance with rules set by game publisher Valve.

FLASHPOINT's production team includes creative director Duncan "Thorin" Shields, a veteran esports journalist, host, and analyst. Alongside former Overwatch League caster Christopher "MonteCristo" Mykles, the line-up includes regular on-screen talent from CS:GO events, such as Dan "DDK" Kapadia, James Bardolph, and Freya Spiers.

"We consulted with teams and players who recognized that the current relationship and calendar with tournament organizers aren't sustainable," said Michele Attisani, CBO & Co-founder, FACEIT, in a statement. "We set out to create FLASHPOINT to solve these issues. The project is fully aligned with FACEIT core values of supporting and developing the CS:GO community, the league remains open allowing grassroots participation and talent to thrive, as seen in the open qualifier where up and coming teams receive direct financial support from the founding teams to be able to compete."

FACEIT Global Summit: PUBG Classic

FACEIT partnered with PUBG to host the very first global event in the newly launched PUBG esports circuit. OP Gaming Rangers were crowned FACEIT Global Summit Champions after an epic series of battles through the Group Stage, an Elimination stage, and then sealing the win in the Grand Finals. Twenty-four teams battled it out for the $400,000 prize pool. Teams from North America (NPL), Europe (PEL), Korea (PKL), China, Japan (PJS), Chinese Taipei/Hong Kong/Macau, Southeast Asia, Latin America, and Oceania flew in to compete in the first ever PUBG Classic, marking an important piece of esports history.

This was a truly global event, with the ICC Auditorium at Excel, London being home to 96 players across 19 different nationalities. With a state of the art 55m curved arena screen for the live event it was the fifth arena event that FACEIT has hosted in the city. The Global Summit had over 1 Million total hours watched globally.

'With this event we set out to kick off the 2019 PUBG esports season with the kind of epic, dramatic and fan centric tournament that a game like PUBG deserves' said Michele Attisani, Co-Founder & CBO of FACEIT. 'OP Gaming Rangers played incredibly well throughout the tournament and more than earned the win, whilst every other team who competed brought their absolute best, making it a true fight for the ages.'

Jake Sin, Global Esports Manager for PUBG Corporation said "this was a fantastic tournament for PUBG and we're proud of the remarkable competitive spirit we saw from all of the teams. We wanted to do something extra special for the end of PUBG esports Phase 1, and the FACEIT Global Summit has been the perfect exclamation mark for that."

Esports Championship Series (ECS)
ECS is a leading professional CS:GO competition in its fifth year, which culminates each season with a memorable live arena event starring eight of the world's top teams. The league was launched in 2016 and 8 seasons have now been held. ECS is a ground-breaking esports initiative designed with the goal to help esports grow beyond its current state, while respecting the core values of the esports ecosystem and the community.

- Formula 1 inspired seasons featuring over 180 "primetime" matches across two divisions (Europe and North America)
- More than 300 hours of live broadcast content with two arena events per year (London, UK / Dallas, USA)
- Largest non-publisher funded esports league with co-ownership and revenue sharing

ECS Viewership

ECS Stats	Season 7 (Online & Finals)	2019 Total
Total Views	18 Million Views	42 Million Views
Total Impressions	359.3 Million Impressions	718.6 Million Impressions
Hours Watched	7 Million Hours Watched	16 Million Hours Watched
Average View Duration	18 Minutes per Viewer	18 Minutes per Viewer
ECS Attendance 1500-3000 per finals (2 per year)		

The Group's loss for the financial year was £3,487,014.

The average number of employees increased to 74 (2018 71).

Key performance indicators
The directors consider that Registered Users and Total Revenue are the most reliable and important indicators for measuring the group's performance.

Registered Users has kept growing during the financial year, increasing by 32%. The Group has Total Revenue of £12,349,842 a decrease of £3,400,448 (22%) compared to 2018.

2019 Platform Revenues increased by £2,103,264 (34%) versus 2018.

Principal risks and uncertainties
The principal risks and uncertainties facing the group include the following:

Foreign Currency Risk
The Group has exposure to exchange rate fluctuations mainly in the US dollar. Whilst the Group does have a natural hedge in its receivables and payables this remains a risk.

Liquidity Risk
The directors closely monitor the working capital requirements of the Group. Short, mid and long-term business plans and cash flow forecasts are regularly prepared and updated and the Group undertakes regular dialogue with its investors and bankers. These measures help alert the directors to any future risks and ensure that there are sufficient funds available for operations.

Brexit
Although the UK has now left the EU the short and long-term implications remain unknown. The Group envisages there may be a risk of reduced talent mobility in terms of attracting talent to the UK from the EU. Current employees from other EU countries may also be faced with work authorisation issues depending on their circumstances and our HR team is reviewing current hires and future policies.

Coronavirus
Since its discovery in Wuhan in December 2019, the 2019 novel coronavirus (COVID-19) has rapidly spread to all provinces, municipalities, and autonomous regions in China and has been introduced to more than 210 countries in Asia Pacific, Europe, and North America. This novel virus has presented a challenge to epidemic disease prevention in many countries and regions and has had a great impact on economic, financial, and social development.

COVID-19 is having a widespread impact across industries and the directors are regularly reviewing the situation to ensure that they understand the business risks and mitigate them with contingency plans for each of these risks. Whilst it is still difficult to fully understand the long-term impact, how the situation will evolve, and the effect it could have on business macro drivers, the following points are considered relevant by the directors.

Platform Revenues constitute the majority of the group's turnover. The core part of this is Premium Subscriptions which give players access to premium benefits on the platform such as special modes, communities, pre-match settings, premium missions, badges, etc. In the short term COVID-19 is proving to have a positive impact on Premium Subscriptions with net subscriber growth increasing month on month as players spend more time at home and other entertainment options are limited.

The short-term impact of COVID-19 on the Media & Events division is limited and potentially positive with most large and long term events continuing. Whilst there may be an impact on revenue there should only be a limited impact on margins due to economies of scale by leveraging existing studio facilities and some of this activity moving to on-line. At the same time, compared to other sports and events industries, esports is likely to be less affected as a broadcast can be created without players attending the same venue. In addition, as esports events keep broadcasting and traditional sports events are being cancelled the industry has increased visibility. At the time of writing, from an operational KPIs point of view, the impact has been positive with a significant increase in viewership thanks to viewers being at home and alternative forms of mainstream live sports content suddenly disappearing.

On behalf of the board

Nicolo Maisto

N Maisto
Director
6 May 2020

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities

FACEIT is the leading competitive platform for online multiplayer games, allowing players to easily compete in tournaments and leagues for virtual and real-world prizes through automated tournament management and matchmaking technology.

FACEIT has also created and produced its own League called the Esports Championship Series (ECS) - the largest non-publisher owned league in the world.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

N Maisto	
M Attisani	
J Seghers	
J P Farr	
M Cheung	(Appointed 20 February 2019)

Results and dividends

The results for the year are set out on page 10.

No dividends were paid. The directors do not recommend payment of a final dividend.

Research and development

The group continues to invest in the development of its software platform to improve both functionality and player experience.

Post reporting date events

In March 2020, Face IT received $2.7M for the issue of new Shares triggered under options that were granted as part of the overall series B fund raise.

Auditor

In accordance with the company's articles, a resolution proposing that Mercer & Hole be reappointed as auditor of the group will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board

Nicolo Maisto

N Maisto
Director
6 May 2020

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors are responsible for preparing the Annual 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. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FACE IT LIMITED

Opinion
We have audited the financial statements of Face It Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:
- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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 directors are responsible for assessing the group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mercer & Hole

Ross Lane (Senior Statutory Auditor)
for and on behalf of Mercer & Hole

6 May 2020

Chartered Accountants
Statutory Auditor

21 Lombard Street
London
EC3V 9AH

FACE IT LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover	3	12,349,842	15,750,290
Cost of sales		(7,236,002)	(10,100,351)
Gross profit		5,113,840	5,649,939
Administrative expenses		(9,627,363)	(9,563,520)
Operating loss	4	(4,513,523)	(3,913,581)
Interest receivable and similar income	8	-	18
Interest payable and similar expenses	9	(84,848)	(338,182)
Loss before taxation		(4,598,371)	(4,251,745)
Tax on loss	10	1,116,101	999,766
Loss for the financial year	24	(3,482,270)	(3,251,979)
Other comprehensive income			
Currency translation differences		(6,129)	11,247
Total comprehensive income for the year		(3,488,399)	(3,240,732)

Loss for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

FACE IT LIMITED

GROUP BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	11		3,919,862		2,815,459
Tangible assets	12		601,458		562,814
			4,521,320		3,378,273
Current assets					
Debtors	16	4,237,786		1,449,888	
Cash at bank and in hand		541,627		888,632	
		4,779,413		2,338,520	
Creditors: amounts falling due within one year	17	(7,691,263)		(9,546,942)	
Net current liabilities			(2,911,850)		(7,208,422)
Total assets less current liabilities			1,609,470		(3,830,149)
Creditors: amounts falling due after more than one year	18		(1,000,000)		-
Net assets/(liabilities)			609,470		(3,830,149)
Capital and reserves					
Called up share capital	23		40,698		34,527
Share premium account	24		16,206,549		8,290,095
Equity reserve	24		-		107,319
Profit and loss reserves	24		(15,637,777)		(12,262,090)
Equity attributable to owners of the parent company			609,470		(3,830,149)
Non-controlling interests			-		-
			609,470		(3,830,149)

The financial statements were approved by the board of directors and authorised for issue on 6 May 2020 and are signed on its behalf by:

Niccolo Maisto

N Maisto
Director

FACE IT LIMITED

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	11		3,919,862		2,815,459
Tangible assets	12		121,724		152,582
Investments	13		105,947		105,947
			4,147,533		3,073,988
Current assets					
Debtors	16	3,992,394		4,082,682	
Cash at bank and in hand		308,791		343,646	
		4,301,185		4,426,328	
Creditors: amounts falling due within one year	17	(3,915,464)		(8,884,984)	
Net current assets/(liabilities)			385,721		(4,458,656)
Total assets less current liabilities			4,533,254		(1,384,668)
Creditors: amounts falling due after more than one year	18		(1,000,000)		-
Net assets/(liabilities)			3,533,254		(1,384,668)
Capital and reserves					
Called up share capital	23		40,698		34,527
Share premium account	24		16,206,549		8,290,095
Equity reserve	24		-		107,319
Profit and loss reserves	24		(12,713,993)		(9,816,609)
Total equity			3,533,254		(1,384,668)

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £3,010,096 (2018 - £3,208,806 loss).

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 6 May 2020 and are signed on its behalf by:

Nicolo Maisto

N Maisto
Director

Company Registration No. 07751649

FACE IT LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital	Share premium account	Equity reserve	Profit and loss reserves	Total
		£	£	£	£	£
Balance at 1 January 2018		34,435	8,262,007	107,319	(9,057,309)	(653,548)
Year ended 31 December 2018:						
Loss for the year		-	-	-	(3,251,979)	(3,251,979)
Other comprehensive income:						
Currency translation differences		-	-	-	11,247	11,247
Total comprehensive income for the year		-	-	-	(3,240,732)	(3,240,732)
Issue of share capital	**23**	92	28,088	-	-	28,180
Credit to equity for equity settled share-based payments	**22**	-	-	-	35,951	35,951
Balance at 31 December 2018		34,527	8,290,095	107,319	(12,262,090)	(3,830,149)
Year ended 31 December 2019:						
Loss for the year		-	-	-	(3,482,270)	(3,482,270)
Other comprehensive income:						
Currency translation differences		-	-	-	(6,129)	(6,129)
Total comprehensive income for the year		-	-	-	(3,488,399)	(3,488,399)
Issue of share capital	**23**	3,060	3,624,564	-	-	3,627,624
Conversion of loan to shares	**23**	3,111	4,291,890	(15,728)	-	4,279,273
Credit to equity for equity settled share-based payments	**22**	-	-	-	21,121	21,121
Recycle of equity reserve on conversion of loan notes to shares		-	-	(91,591)	91,591	-
Balance at 31 December 2019		40,698	16,206,549	-	(15,637,777)	609,470

FACE IT LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital £	Share premium account £	Equity reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2018		34,435	8,262,007	107,319	(6,643,754)	1,760,007
Year ended 31 December 2018:						
Loss and total comprehensive income for the year		-	-	-	(3,208,806)	(3,208,806)
Issue of share capital	23	92	28,088	-	-	28,180
Credit to equity for equity settled share-based payments	22	-	-	-	35,951	35,951
Balance at 31 December 2018		34,527	8,290,095	107,319	(9,816,609)	(1,384,668)
Year ended 31 December 2019:						
Loss and total comprehensive income for the year		-	-	-	(3,010,096)	(3,010,096)
Issue of share capital	23	3,060	3,624,564	-	-	3,627,624
Conversion of loan to shares	23	3,111	4,291,890	(15,728)	-	4,279,273
Credit to equity for equity settled share-based payments	22	-	-	-	21,121	21,121
Recycle of equity reserve on conversion of loan notes to shares		-	-	(91,591)	91,591	-
Balance at 31 December 2019		40,698	16,206,549	-	(12,713,993)	3,533,254

FACE IT LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Cash flows from operating activities					
Cash absorbed by operations	28		(3,673,356)		(2,189,165)
Interest paid			(4,192)		(2,803)
Income taxes refunded			772,006		604,222
Net cash outflow from operating activities			(2,905,542)		(1,587,746)
Investing activities					
Purchase of intangible assets		(1,631,324)		(1,365,825)	
Purchase of tangible fixed assets		(433,192)		(440,215)	
Proceeds on disposal of tangible fixed assets		154		1,508	
Interest received		-		18	
Net cash used in investing activities			(2,064,362)		(1,804,514)
Financing activities					
Proceeds from issue of shares		3,627,624		28,180	
Proceeds from borrowings		1,000,000		-	
Net cash generated from financing activities			4,627,624		28,180
Net decrease in cash and cash equivalents			(342,280)		(3,364,080)
Cash and cash equivalents at beginning of year			888,632		4,246,805
Effect of foreign exchange rates			(4,725)		5,907
Cash and cash equivalents at end of year			541,627		888,632

1 Accounting policies

Company information
Face It Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Millbank Tower, 25th Floor, 21-24 Millbank, London, SW1P 4QP. Its company registration number is 07751649.

The group consists of Face It Limited and all of its subsidiaries.

1.1 Accounting convention
These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

1.2 Basis of consolidation
In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

1 Accounting policies **(Continued)**

The consolidated financial statements incorporate those of Face It Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The group profit and loss account and statement of cash flows include the results and cash flows of Overlord Media Ltd, Esports Championship Series CS Limited and of Face It Inc. for both years.

Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates. In the group financial statements, associates are accounted for using the equity method.

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the equity method.

1.3 Going concern

Notwithstanding the loss for the year of £3,482,270, the net current liabilities as at the year end of £2,911,850 and the potential impact of COVID-19 on the Group, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The group has prepared detailed forecasts of its future working capital requirements, including an estimate of the impact of the pandemic, and has performed sensitivity analysis to assess different scenarios.

The group also continues to be funded by its shareholder investors. During 2019 there was a subscription of $10M Series B Preferred Shares, including the Convertible Loan Notes converting to equity. As part of this financing round the investors received options to purchase additional Series B Preferred Shares. Post year-end the company received $2.7M for the issue of new Shares triggered under these options. To date FACEIT has raised $30M and is backed by leading investors - Index, United Ventures, Makers Fund and Anthos Capital.

Having reviewed the forecasts and analysis and applied reasonably possible downside sensitivities, held discussions with investors and considered the strong fund-raising history of the group the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and have therefore prepared the financial statements on a going concern basis.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

1 Accounting policies **(Continued)**

Advertising and sponsorship
Revenue from advertising and sponsorship is recognised evenly over the campaign period to which it relates.

Media Rights
Revenue from media rights is recognised over the period the agreed audio and audio-visual content is contracted to be made available for use by the licensee. Revenue is recognised evenly over the term of the contract unless there are clearly identifiable stages within the contract that varies the content and/or service to be provided; in which case revenue is then recognised by reference to the content to be provided in each stage separately.

Subscriptions
Revenue from subscriptions for a period greater than 1 month are spread over the period of the subscription. Subscriptions for 1 month only are recognised in full in the month of subscription which reflects the non-refundable nature of the subscription as well as the fact there are minimal incremental costs associated with the delivery of a 1 month subscription.

Other revenue
Revenue from the provision of other services is recognised as those services are provided.

1.5 Research and development expenditure
Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.6 Intangible fixed assets other than goodwill
Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Development costs	3 years straight line

1.7 Tangible fixed assets
Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	Over the remaing life of the lease
Fixtures and fittings	3 years straight line
Computers	3 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1 Accounting policies **(Continued)**

1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible 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.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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 for which the estimates of future cash flows have not been adjusted.

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 (or 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.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or 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.

1.10 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies **(Continued)**

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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 group after deducting all of its liabilities.

1 Accounting policies **(Continued)**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities
Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities
Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.12 Compound instruments
The component parts of compound instruments issued by the group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity net of income tax effects and is not subsequently remeasured.

1.13 Equity instruments
Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.14 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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 tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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 is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.16 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.17 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

The financial effect of awards by the parent company of options over its equity shares to the employees of subsidiary undertakings are recognised by the parent company in its individual financial statements. In particular the parent company records an increase in its investment in subsidiaries with a credit to equity equivalent to the cost in the subsidiary undertakings.

1 Accounting policies **(Continued)**

1.18 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.19 Foreign exchange

Functional currency and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position are presented in sterling (£).

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

Translation of group companies

For the purpose of presenting consolidated financial statements, the assets and liabilties of the group's foreign operations are translated from their functional currency to sterling (£) using the closing exchange rate. Income and expenses are translated using the average rate for the period. Exchange differences arising on the translation of group companies are recognised in other comprehensive income and are not reclassified to profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Capitalisation and amortisation of development costs

A critical judgement in applying accounting policies that had a significant effect on the amounts recognised in the financial statements for the financial year was the capitalisation of development costs, particularly on the assessment of technical, commercial and financial feasibility for the purposes of asset capitalisation.

There are also assumptions and estimation uncertainties that could have a significant risk of resulting in material adjustments within the next financial years in relation to the recoverability of the development costs. The carrying amount of intangible assets representing a development of software is £2,815,459. The directors have been required to exercise judgment in determining the useful life of this intangible for its amortisation.

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2019	2018
	£	£
Turnover analysed by class of business		
Platform	8,221,619	6,118,355
Media & Events	4,111,143	9,622,683
Other	17,080	9,252
	12,349,842	15,750,290

	2019	2018
	£	£
Turnover analysed by geographical market		
United Kingdom	576,056	1,600,356
Europe	5,879,921	8,510,574
USA	3,179,410	4,088,141
Rest of World	2,714,455	1,551,219
	12,349,842	15,750,290

4 Operating loss

	2019	2018
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange losses	98,793	281,352
Research and development costs	1,081,236	949,643
Depreciation of owned tangible fixed assets	392,989	409,700
Profit on disposal of tangible fixed assets	-	(723)
Amortisation of intangible assets	526,921	371,771
Share-based payments	21,121	35,951
Operating lease charges	392,277	354,792

5 Auditor's remuneration

	2019	2018
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the group and company	12,500	12,500
Audit of the financial statements of the company's subsidiaries	8,000	8,000
	20,500	20,500
For other services		
Taxation compliance services	6,000	6,000
Other taxation services	-	945
All other non-audit services	10,230	14,365
	16,230	21,310

6 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Development	25	25	25	25
Product Development & Operations	34	34	23	20
Sales & Business Development	3	2	3	2
Management & Other	12	10	12	10
	74	71	63	57

Their aggregate remuneration comprised:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Wages and salaries	4,407,959	3,931,679	3,503,214	3,135,766
Social security costs	461,297	445,562	396,072	354,832
Pension costs	54,948	32,989	45,778	25,711
	4,924,204	4,410,230	3,945,064	3,516,309

7 Directors' remuneration

	2019	2018
	£	£
Remuneration for qualifying services	322,350	268,017

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2019	2018
	£	£
Remuneration for qualifying services	150,000	150,000

8 Interest receivable and similar income

	2019	2018
	£	£
Interest income		
Interest on bank deposits	-	18

9 Interest payable and similar expenses

	2019	2018
	£	£
Interest on convertible loan notes	45,236	335,379
Other interest on financial liabilities	37,802	-
Other interest	1,810	2,803
Total finance costs	84,848	338,182

10 Taxation

	2019	2018
	£	£
Current tax		
UK corporation tax on profits for the current period	(904,639)	(560,544)
Adjustments in respect of prior periods	(211,664)	(471,822)
Total UK current tax	(1,116,303)	(1,032,366)
Foreign current tax on profits for the current period	202	32,600
Total current tax	(1,116,101)	(999,766)

On 11th March 2020, the 2020 budget announced that the reduction in corporation tax rate to 17% (effective from 1 April 2020) was being reversed and the corporation tax rate would remain at 19%.

10 Taxation **(Continued)**

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2019	2018
	£	£
Loss before taxation	(4,598,371)	(4,251,745)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(873,690)	(807,832)
Tax effect of expenses that are not deductible in determining taxable profit	3,009	6,439
Unutilised tax losses carried forward	1,069,222	725,920
Depreciation on assets not qualifying for tax allowances	2,934	7,459
Research and development tax credit	(1,116,303)	(1,032,366)
Share based payment charge	3,523	6,831
Effect of overseas tax rates	(10,507)	32,168
Foreign exchange differences	205	610
Deferred tax on fixed assets not recognised	(194,494)	61,005
Taxation credit	(1,116,101)	(999,766)

The group has estimated tax losses available to be used against future profits of £12,910,000 (2018: £10,584,000).

11 Intangible fixed assets

Group and company	Development costs
	£
Cost	
At 1 January 2019	3,482,616
Additions - internally developed	1,631,324
At 31 December 2019	5,113,940
Amortisation and impairment	
At 1 January 2019	667,157
Amortisation charged for the year	526,921
At 31 December 2019	1,194,078
Carrying amount	
At 31 December 2019	3,919,862
At 31 December 2018	2,815,459

12 Tangible fixed assets

Group	Leasehold improvements	Fixtures and fittings	Computers	Total
	£	£	£	£
Cost				
At 1 January 2019	265,689	693,606	347,614	1,306,909
Additions	37,356	82,849	312,987	433,192
Disposals	(42,954)	-	(154)	(43,108)
Exchange adjustments	(4,182)	(788)	(1,283)	(6,253)
At 31 December 2019	255,909	775,667	659,164	1,690,740
Depreciation and impairment				
At 1 January 2019	188,640	369,210	186,245	744,095
Depreciation charged in the year	54,019	197,213	141,757	392,989
Eliminated in respect of disposals	(42,954)	-	-	(42,954)
Exchange adjustments	(2,968)	(765)	(1,115)	(4,848)
At 31 December 2019	196,737	565,658	326,887	1,089,282
Carrying amount				
At 31 December 2019	59,172	210,009	332,277	601,458
At 31 December 2018	77,049	324,393	161,372	562,814

12 Tangible fixed assets (Continued)

Company	Leasehold improvements	Fixtures and fittings	Computers	Total
	£	£	£	£
Cost				
At 1 January 2019	159,125	111,623	232,348	503,096
Additions	37,356	7,645	36,290	81,291
Disposals	(42,954)	-	(154)	(43,108)
At 31 December 2019	153,527	119,268	268,484	541,279
Depreciation and impairment				
At 1 January 2019	132,074	90,831	127,609	350,514
Depreciation charged in the year	32,794	14,803	64,398	111,995
Eliminated in respect of disposals	(42,954)	-	-	(42,954)
At 31 December 2019	121,914	105,634	192,007	419,555
Carrying amount				
At 31 December 2019	31,613	13,634	76,477	121,724
At 31 December 2018	27,051	20,792	104,739	152,582

13 Fixed asset investments

		Group		Company	
		2019	2018	2019	2018
	Notes	£	£	£	£
Investments in subsidiaries	14	-	-	105,947	105,947

Movements in fixed asset investments

Company	Shares in group undertakings
	£
Cost or valuation	
At 1 January 2019 and 31 December 2019	105,947
Carrying amount	
At 31 December 2019	105,947
At 31 December 2018	105,947

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office
Esports Championship Series CS Ltd	Millbank Tower, 25th Floor, 21-24 Millbank, London, SW1P 4QP
Face It, Inc.	160 Greentree Drive, Suite 101, Dover, Delaware 19904, County of Kent, Delaware, USA
Overlord Media Ltd	Millbank Tower, 25th Floor, 21-24 Millbank, London, SW1P 4QP

15 Financial instruments

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Carrying amount of financial assets				
Debt instruments measured at amortised cost	2,917,457	543,409	n/a	n/a
Carrying amount of financial liabilities				
Measured at amortised cost	4,265,940	8,573,637	n/a	n/a

16 Debtors

	Group		Company	
	2019	2018	2019	2018
Amounts falling due within one year:	£	£	£	£
Trade debtors	2,687,672	325,920	407,970	251,675
Corporation tax recoverable	904,639	560,544	904,639	560,544
Amounts owed by group undertakings	-	-	2,222,910	2,875,971
Other debtors	201,167	198,969	97,398	84,705
Prepayments and accrued income	444,308	364,455	359,477	309,787
	4,237,786	1,449,888	3,992,394	4,082,682

17 Creditors: amounts falling due within one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Convertible loans	20	-	4,234,038	-	4,234,038
Trade creditors		923,941	1,765,817	550,374	781,748
Amounts due to group undertakings		-	-	626,243	1,944,381
Other taxation and social security		292,440	309,630	263,485	249,686
Deferred income		4,132,883	663,675	1,349,047	663,675
Other creditors		1,379,540	1,696,894	798,496	720,297
Accruals		962,459	876,888	327,819	291,159
		7,691,263	9,546,942	3,915,464	8,884,984

18 Creditors: amounts falling due after more than one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Other borrowings	19	1,000,000	-	1,000,000	-

19 Loans and overdrafts

	Group 2019 £	2018 £	Company 2019 £	2018 £
Other loans	1,000,000	-	1,000,000	-
Payable after one year	1,000,000	-	1,000,000	-

The long-term loans are secured by fixed and floating charges over all the assets of the company.

The long term loans are repayable 18 months after they are drawn down with interest accruing at market rate to be paid along with the capital in full at the end of the loan period.

20 Convertible loan notes

	Group 2019 £	2018 £	Company 2019 £	2018 £
Liability component of convertible loan notes	-	4,234,038	-	4,234,038

The net proceeds received from the issue of the convertible loan notes have been split between the financial liability element and an equity component, representing the fair value of the embedded option to convert the financial liability into equity.

20 Convertible loan notes **(Continued)**

The liability component is measured at amortised cost, and the difference between the carrying amount of the liability at the date of issue and the amount reported in the Balance Sheet represents the effective interest rate less interest paid to that date.

The effective rate of interest is 9%.

The equity component of the convertible loan notes has been credited to the equity reserve.

In February 2019, the loan notes were converted to equity.

21 Retirement benefit schemes

Defined contribution schemes	**2019** £	**2018** £
Charge to profit or loss in respect of defined contribution schemes	54,948	32,989

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

22 Share-based payment transactions

Certain employees of the company along with other group employees have been granted options over the shares in Face It Ltd. The options are granted with a fixed exercise price, have graded vesting with a 1 year cliff and expire 10 years after the date of grant. Employees are required to remain in employment with the group.

Group and company	**Number of share options**		**Weighted average exercise price**	
	2019 Number	**2018** Number	**2019** £	**2018** £
Outstanding at 1 January 2019	270,088	255,093	2.94	2.95
Granted	34,657	30,885	4.24	3.56
Forfeited	(19,388)	(6,714)	3.35	3.22
Exercised	(78,791)	(9,176)	0.84	3.07
Outstanding at 31 December 2019	206,566	270,088	2.14	2.94
Exercisable at 31 December 2019	174,040	214,510	1.88	2.74

The options outstanding at 31 December 2019 had an exercise price ranging from £0.01 to £4.24 and a remaining contractual life of between 1 and 5 years.

22 Share-based payment transactions (Continued)

Group and company

The fair value of equity-settled share options granted is estimated at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Expenses recognised in the year				
Arising from equity settled share based payment transactions	21,121	35,951	21,121	35,951

23 Share capital

	Group and company	
	2019	2018
Ordinary share capital	£	£
Issued and fully paid		
2,183,226 Ordinary shares of 1p each	21,832	21,832
87,967 (2018: 9,176) B Ordinary shares of 1p each	880	92
	22,712	21,924
Preference share capital		
Issued and fully paid		
275,580 Preference of 1p each	2,756	2,756
984,730 Series A preferred of 1p each	9,847	9,847
538,285 (2018: 0) Series B preferred of 1p each	5,383	-
	17,986	12,603
Preference shares classified as equity	17,986	12,603
Total equity share capital	40,698	34,527

23 Share capital **(Continued)**

All share classes other than the B Ordinary shares are entitled to participate in dividends, any dividend would be distributed pari passu to these shareholders as if these shares were all one class.

On a distribution of assets on a liquidation or return of capital the surplus asses of the company shall be applied as follows:

- First, in paying to each Series B Preferred Shareholder an amount per Series B Preferred Share equal to the Issue Price of that share
- Second, in paying to each Series B Preferred Shareholder an amount per Series A Preferred Share equal to the Issue Price of that share
- Third if requested in writing by any holder of Preference Shares, in paying to each such Shareholder an amount per Preference Share held by them equal to the Issue Price of that share
- The balance of the surplus assets shall be distributed among the holders of Ordinary Shares, the holders of B Ordinary shares and any holder of Preference Shares who have not made an election above as if these constituted once class of share.
-

All share classes other than the B Ordinary shares are entitled to attend, speak and vote at any general meeting.

All shares are non-redeemable.

24 Reserves

Share premium
Share premium accounts includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Equity reserve
The equity reserve represents the cumulative equity elements of convertible loan notes currently in issue.

Non-controlling interest
No amount has been attributed to the non-controlling interest this year as they are not required to make good their share of any losses arising.

Profit and loss reserves
Profit and loss reserves represents accumulated comprehensive deficit for the year and prior periods less dividends paid.

25 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Within one year	349,840	222,666	162,333	31,716
Between two and five years	276,222	251,190	199,247	-
	626,062	473,856	361,580	31,716

26 Events after the reporting date

In March 2020, Face IT received $2.7M for the issue of new Shares triggered under options that were granted as part of the overall series B fund raise.

27 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2019 £	2018 £
Aggregate compensation	883,839	810,211

Transactions with related parties

During the year the group entered into the following transactions with related parties:

	Services provided 2019 £	2018 £
Group		
Key management personnel	280,396	250,034
Company		
Key management personnel	280,396	250,034

28 Cash absorbed by group operations

	2019	2018
	£	£
Loss for the year after tax	(3,482,270)	(3,251,979)
Adjustments for:		
Taxation credited	(1,116,101)	(999,766)
Finance costs	84,848	338,182
Investment income	-	(18)
Gain on disposal of tangible fixed assets	-	(723)
Amortisation and impairment of intangible assets	526,921	371,771
Depreciation and impairment of tangible fixed assets	392,989	409,700
Foreign exchange gains on cash equivalents	-	234,011
Equity settled share based payment expense	21,121	35,951
Movements in working capital:		
(Increase)/decrease in debtors	(2,443,803)	452,119
(Decrease)/increase in creditors	(1,126,269)	1,647,411
Increase/(decrease) in deferred income	3,469,208	(1,425,824)
Cash absorbed by operations	(3,673,356)	(2,189,165)

29 Analysis of changes in net debt - group

	1 January 2019	Cash flows	Exchange rate movements	31 December 2019
	£	£	£	£
Cash at bank and in hand	888,632	(342,280)	(4,725)	541,627
Borrowings excluding overdrafts	-	(1,000,000)	-	(1,000,000)
Convertible loan notes	(4,234,038)	4,234,038	-	-
	(3,345,406)	2,891,758	(4,725)	(458,373)