

Gate Ventures PLC

Update on Fundraising and Interim Results

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Gate Ventures PLC

Press Release

February 28, 2019

Gate Ventures PLC

(»Gate Ventures« or »Gate« or »The Company«)

Update on Fundraising and Interim Results for the financial period from July 1, 2018 to December 31, 2018

The Board of Gate Ventures PLC (»The Board«) announces its interim results for the first half of The Company's fiscal year 2018/2019 dated July 1, 2018 to December 31, 2018 (»The Period«).

»The Board is pleased to publish The Company's interim report for the financial period from July 1, 2018 to December 31, 2018. During the period, the Company raised an additional USD2million in new capital which was used to pay down operating loans raised during The Period as well as allowing Gate to continue to meet its working capital needs. The Company's operating expenses are in line with budget for the period and the decrease in administration costs from GBP3million to GBP1.5million is due to the active ongoing efforts by management to reduce overheads to allow for greater investment in to projects«, says Gate Venture's Chairman Lord Michael Grade.

Notably, the two movie projects the Company invested in at the beginning of 2018, Fagara in Mara and Theory of Ambitions, had a positive impact on revenue as both films are slated for release this year and therefore interest income for the period has been recognised in revenue. This helped mitigate declining ticket sales revenue during the final few months of 42nd Street.

The Boards strategy to acquire and package films for financing by distributors and large film conglomerates saw cost of sales increase for the period due to the Company being required to outlay some initial costs for the films it owns the rights to in order to get these packaged and ready for sale to investors. Gate has a strong pipeline of theatre and movie projects as it looks to expand its investments in this sector. However, this is dependent on the Company ability to raise funds in order to invest in the projects planned for 2019.

Of Gate's other investments, Bink continues to expand with new operations in the United States and South Africa, Ensygnia was selected by Insight Success as one of The 30 Most Innovative Companies to Watch 2018 and both Infinity Creative Media and Rise Art continued to perform in line with expectations. Although there was no revaluation of these investments during the current period, Gate believes that they are well placed for growth in 2019.

Further to the announcement of February 18, 2019, the Board is continuing discussions in relation to a potential financing for the Company. Whilst there are no guarantees that this financing will be completed, the Board will continue to pursue these discussions, whilst considering its other options, and will keep the market informed as these discussions progress.

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Notes to Editors:

Gate Ventures PLC, a global media and entertainment operating company, was founded in 2015 to exercise active ownership of various production platforms within film, lifestyle and theatre. Governed by senior investment profiles and prominent personas within the British entertainment sector, the board has raised over €28 million worldwide to date.

Since 2017, Gate Ventures PLC has been listed with NASDAQ First North in Copenhagen. Positions include Rise Art Ltd. (15%) Fagara in Mara, 2018 (10%), Theory of Ambitions, 2018 (2.5%), Bink (4%), Ensygnia (7%), PlayJam (25%), Infinity Creative Media (16%), 42nd Street (100%), Sunset Boulevard (100%) and Gate Reality (100%).

As of 2018, the executive board of Gate Ventures PLC is comprised of Lord Michael Ian Grade, Baron of Yarmouth (Chairman, CBE), Sarah, Duchess of York (Executive Director), Mr. Geoffrey Stanton Morrow (CEO), Mr. Michael Sidney Linnit (CSO), Mr. Richard James Carter (CFO, ACMA, CGMA) and Mrs. Anita Luu (COO).

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GATE VENTURES PLC

(Company Number: 9376114)

INTERIM FINANCIAL REPORT

For the financial period from 1 July 2018 to 31 December 2018

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Interim Management Report

The Board present below the unaudited financial information for Gate Ventures plc for the 6-months to 31 December 2018. During the period the company raised an additional US\$2m in new capital which was used to pay down operating loans raised during the period as well as allowing Gate to continue to meet its working capital needs.

Revenue during the period was negatively affected by disappointing ticket sales for the final few months of 42nd Street, which closed on the 5th January 2019, which saw our investment in the production written down to zero as there is now no projected cash to be received, and therefore a loss of £573k was recognised. Although the production opened to outstanding reviews its revenue never recovered from the unusual summer heatwave that the UK experienced in the summer of 2018 which saw ticket sales across the entire West End adversely affected. In contrast to this the, 2 movie projects the Company invested in at the beginning of 2018, Fagara in Mara and Theory of Ambitions, had a positive effect on revenue as both films are slated for release this year and therefore interest income for the period of £125k has been recognised in revenue as expected cash receipts from the investments move closer. The Boards strategy to acquire and package films for financing by distributors and large film conglomerates saw cost of sales increase for the period due to the Company being required to outlay some initial costs for the films it owns the rights to in order to get these packaged and ready for sale to investors. The Board currently have a strong pipeline of theatre and movie projects that it is currently working on as it looks to expand its investments in this sector. However, the Company has been continuing to raise funds in order to invest in the projects planned for 2019.

Income from virtual reality content production has reduced from the same period in the prior year which has been due to delays in a number of projects that have been in the pipeline as well as Gate Reality focusing on building and developing their own products and services and are therefore pre-revenue so far.

Of Gate's other investments, Bink continues to expand with new operations in the United States and South Africa and strategic partnerships with a leading UK bank, a South African challenger bank and Microsoft. Ensignia was selected by Insight Success as one of The 30 Most Innovative Companies to Watch 2018 for their Onescan solution, helping retailers to compete with Amazon. Gate's other investments, Infinity Creative Media and Rise Art, continued to perform in line with expectations during the period. Although there was no revaluation of these investments during the current period, Gate believes that they are well placed for growth in 2019.

The Group's operating expenses are in line with budget for the period and the decrease in administration costs from £3.0m to £1.5m is due to the active ongoing efforts by management to reduce overheads to allow for greater investment in to projects. As part of this cost reduction the Hong Kong subsidiary moved offices to significantly reduce its rental costs and this resulted in a loss on sale of fixed assets of £60k and an impairment loss of £48k being recognised in the profit and loss statement due to the cost of the office fitout of the old office having been expensed.

On 16 November 2018, the Company announced that the Directors deemed it prudent to cancel a signed share subscription of £2,500,000 it had received from KC-SR International Development Group Co limited as the funds promised in July and September 2018 did not materialise. The Company is considering its legal position and taking steps to seek to enforce this. The Company is also seeking repayment of amounts owed to it by various parties.

Interim Management Report *(continued)*

Additionally, in December 2018, the Company undertook investor road shows in the far-east organised by one of the Company's shareholders, Zheng Yongxiong (also known as Quentin Zheng). The directors were advised by Mr Zheng that as a result of these roadshows US\$10,000,000 would be invested in the Company. Despite efforts by the Company to obtain those funds, they are yet to be received.

The Board of Directors, after taking appropriate legal advice, is considering all its options should the Company be unsuccessful in receiving these monies by end February 2019.

Options currently under active consideration are potential investment in the Company by new investors, a members' voluntary liquidation or reducing or ceasing the Company's operations until an alternative solution can be found.

As of the date of release of this report the Board is continuing discussions in relation to a potential financing for the Company. Whilst there are no guarantees that this financing will be completed, the Board will continue to pursue these discussions, whilst considering its other options, and will keep the market informed.



Richard Carter
Director
28 February 2019

Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income

for the period ended 31 December 2018

(Company Number: 9376114)

	<i>Note</i>	6 months ended 31 December 2018 (unaudited) £	6 months ended 31 December 2017 (unaudited) £
Revenue			
- Interest income from theatre production investments		(92,073)	169,528
- Interest income from movie production investments		125,460	-
- Income from virtual reality content production		28,533	95,874
- Fair value gains and losses on investments		(480,835)	824,813
		(418,915)	1,090,215
Cost of sales		(171,996)	(73,386)
		(590,911)	1,016,829
Gross profit			
Administrative expenses		(1,498,565)	(3,063,439)
Impairment Losses		(48,400)	-
Loss on sale of fixed assets		(60,000)	-
		(2,197,876)	(2,046,610)
Operating loss			
Financial income		1,135	9,063
		(2,196,741)	(2,037,547)
Loss before tax			
Taxation		-	-
		(2,196,741)	(2,037,547)
Loss for the period			
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Available-for-sale financial assets – net change in fair value		-	(153,442)
		(2,196,741)	(2,190,989)
Total comprehensive loss			
Loss for the period attributable to:			
Equity holders of the parent		(2,196,741)	(2,037,547)
Total comprehensive loss attributable to:			
Equity holders of the parent		(2,196,741)	(2,190,989)
Earnings per share – Basic	3	Loss of 0.5 pence	Loss of 0.5 pence
Earnings per share – Diluted	3	Loss of 0.5 pence	Loss of 0.5 pence

Condensed Consolidated Balance Sheet
at 31 December 2018
(Company Number: 9376114)

	Note	At 31 December 2018 (unaudited) £	At 30 June 2018 £
Non-current assets			
Property, plant and equipment		20,595	114,038
Other financial assets	1	7,199,161	7,559,249
Trade and other receivables		8,400	19,200
		<u>7,228,156</u>	<u>7,692,487</u>
Current assets			
Trade and other receivables		827,372	970,540
Cash and cash equivalents		246,228	282,807
		<u>1,073,600</u>	<u>1,253,347</u>
Total assets		<u><u>8,301,756</u></u>	<u><u>8,945,834</u></u>
Current liabilities			
Trade and other payables		195,616	240,166
Loans and borrowings		2,574,115	2,523,732
Total liabilities		<u><u>2,769,731</u></u>	<u><u>2,763,898</u></u>
Net assets		<u><u>5,532,025</u></u>	<u><u>6,181,936</u></u>
Equity attributable to equity holders of the parent			
Share capital	2	379,515	365,507
Share premium	2	24,186,910	22,654,088
Revaluation reserve		405,524	405,524
Retained earnings		(19,439,924)	(17,243,183)
Total equity		<u><u>5,532,025</u></u>	<u><u>6,181,936</u></u>

These interim financial statements were approved by the board of directors on 28 February 2019 and were signed on its behalf by:

Richard Carter
Director

Condensed Consolidated Statement of Changes in Equity
for period ended 31 December 2018

	Share capital	Share premium	Prepaid share reserve	Revaluation Reserve	Retained earnings	Total Equity
	£	£		£	£	£
Balance at 1 July 2018	365,507	22,654,088	-	405,524	(17,243,183)	6,181,936
Total comprehensive income for the period						
Profit or loss	-	-	-	-	(2,196,741)	(2,196,741)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	365,507	22,654,088	-	405,524	(19,439,924)	3,985,195
Transactions with owners of the Group						
Contribution and distributions						
Issue of shares	14,008	1,532,822	-	-	-	1,546,830
Total contributions by and distributions to owners	14,008	1,532,822	-	-	-	1,546,830
Balance at 31 December 2018 (unaudited)	379,515	24,186,910	-	-	-	5,532,025

Condensed Consolidated Statement of Changes in Equity
for period ended 31 December 2017

	Share capital	Share premium	Prepaid share reserve	Revaluation Reserve	Retained earnings	Total Equity
	£	£		£	£	£
Balance at 1 July 2017	350,071	16,284,524	300,000	793,686	(7,415,122)	10,313,159
Total comprehensive income for the period						
Profit or loss	-	-	-	-	(9,828,061)	(9,828,061)
Other comprehensive income	-	-	-	(388,162)	-	(388,162)
Total comprehensive income for the period	350,071	16,284,524	300,000	405,524	(17,243,183)	96,936
Transactions with owners of the Group						
Contribution and distributions						
Issue of shares	15,436	6,369,564	(300,000)	-	-	6,085,000
Total contributions by and distributions to owners	15,436	6,369,564	(300,000)	-	-	6,085,000
Balance at 30 June 2018	365,507	22,654,088	-	-	-	6,181,936

Condensed Consolidated Statement of Cash Flows
for period ended 31 December 2018

	<i>Note</i>	6 months ended 31 December 2018	6 months ended 31 December 2017
		£	£
Cash flows from operating activities			
Loss for the period		(2,196,741)	(2,037,547)
<i>Adjustments for:</i>			
Depreciation		35,570	53,568
Financial income		(1,135)	(9,063)
Accrued loan interest		51,383	-
Changes in fair value of other financial assets		447,556	(1,003,551)
Return of capital from theatre shows		12,532	174,700
Loss on sale of fixed assets		60,000	-
		<u>(1,590,835)</u>	<u>(2,821,893)</u>
(Increase)/decrease in trade and other receivables		153,968	300,841
Increase/(decrease) in trade and other payables		<u>(44,550)</u>	<u>(50,705)</u>
Net cash used in operating activities		<u>(1,481,417)</u>	<u>(2,571,757)</u>
Cash flows from investing activities			
Interest received		1,135	9,063
Acquisition of property, plant and equipment		(2,127)	(4,700)
Acquisition of other financial assets		<u>(100,000)</u>	<u>(2,543,247)</u>
Net cash used in investing activities		<u>(100,992)</u>	<u>(2,538,884)</u>
Cash flows from financing activities			
Proceeds from the issue of share capital	2	1,546,830	5,000,000
Prepaid share capital		-	1,085,000
Repayment of borrowings		<u>(1,000)</u>	<u>(1,144,303)</u>
Net cash from financing activities		<u>1,545,830</u>	<u>4,940,697</u>
Net decrease in cash and cash equivalents		<u>(36,579)</u>	<u>(169,944)</u>
Cash and cash equivalents at the beginning of the period		<u>282,807</u>	<u>272,964</u>
Cash and cash equivalents at the end of the period		<u><u>246,228</u></u>	<u><u>103,020</u></u>

Notes to the consolidated financial statements

1 Other financial assets

Non-current

	31-Dec	30-Jun
	£	£
Non-current		
Available for sale financial assets		
Opening balance	7,559,249	7,224,674
- Additions	100,000	4,337,220
- Return of capital receipts	(12,532)	(174,700)
- Changes to fair value gains	(480,835)	(3,920,203)
- Income from theatre productions	(92,073)	(79,557)
- Income from movie productions	125,460	104,550
- Changes in value due to exchange rate movements	(108)	(16,349)
- Converted to equity from held to maturity	-	83,614
Closing balance	<u>7,199,161</u>	<u>7,559,249</u>

2 Capital and reserves

	2018	2017
	£	£
Allotted, called up and fully paid	<u>379,515</u>	<u>350,071</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

During the period the Company issued 17,510,100 (2017: 15,077,162) £0.0008 ordinary shares for a consideration of £1,546,830 (2017: £5,000,000), settled in cash.

The nominal value of the Company's shares is £0.0008 (2017: £0.0008).

Notes to the consolidated financial statements (continued)

3 Earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

i. Loss attributable to ordinary shareholders

	2018	2017
	£	£
Loss for the period, attributable to the owners of the Company	<u>(2,196,741)</u>	<u>(2,037,547)</u>

ii. Weighted-average number of ordinary shares

<i>In thousands of shares</i>	Note	Ordinary Shares	
		2018	2017
Issued ordinary shares at the beginning of the period		456,884	432,611
Effect of shares issued in October 2017		-	6,637
Effect of shares issued in October 2018		<u>3,262</u>	<u>-</u>
Weighted average number of ordinary shares 31 December		<u>460,146</u>	<u>439,248</u>