

Netccentric Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Netccentric Limited
ABN:	605927464
Reporting period:	For the year ended 31 December 2016 (unaudited)
Previous period:	For the year ended 31 December 2015

2. Results for announcement to the market

				\$
Revenues from ordinary activities	up	4%	to	12,589,226
Loss from ordinary activities, net of tax attributable to the owners of Netccentric Limited	down	359%	to	(5,335,028)
Loss for the year attributable to the owners of Netccentric Limited	down	359%	to	(5,335,028)

Dividends

There were no dividends paid, recommended or declared during the current reporting year.

Comments

The group's revenue for the year ended 31 December 2016 was \$12.6 million (31 December 2015: \$12.1 million). Revenue was driven primarily by sponsored posts as well as an increased performance from Churp Churp in the Influencer Platform segment, seeing growth of 22% and accounting for 33% of overall revenue. The entire Influencer Platform segment achieved revenue for the year ended 31 December 2016 of \$9.3 million (31 December 2015: \$8.9 million) which contributed 74% of total revenue for the year ended 31 December 2016 (31 December 2015: 74% of total revenue). The increase in revenue was also further driven by a one-off profit neutral partnership deal with Flexiroam Asia Limited accounting for \$1.5 million which at the same time contributed to \$1.5 million advertising expenses for the expansion efforts of Aroi Mak Mak Pte Ltd.

The group's loss before income tax totalled \$5.3 million (31 December 2015: loss before income tax of \$1.3 million) largely driven by efforts to expand group operations throughout our target markets and in doing so, incurring additional administrative, employee and advertising expenditure. The loss is further attributed by a one-off non-cash impairment of goodwill arising from the acquisition of Ripplewerkz Pte Ltd amounting to \$0.9 million.

3. Net tangible assets

	Reporting year Cents	Previous year Cents
Net tangible assets per ordinary security	<u>3.26</u>	<u>5.01</u>

4. Dividends

Current period

There were no dividends paid, recommended or declared during the current reporting year.

Previous period

There were no dividends paid, recommended or declared during the previous reporting year.

5. Details of associates

Name of associate	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting year %	Previous year %	Reporting year S\$	Previous year S\$
Exteen Co Ltd	49.00%	49.00%	N.M.	N.M.
Nuffnang Philippines Inc	40.00%	40.00%	N.M.	N.M.

N.M. – Not material to the group.

6. Details of entities over which control has been gained or lost during the year:

No such transactions noted during the year.

7. Status of audit

The financial statements are unaudited and are currently in the process of being audited by RSM Chio Lim LLP.

Yours faithfully



Martyn Thomas
Chairman

Date: 28 February 2017

Netccentric Limited

(Incorporated in Singapore. Registration Number: 200612086W)

and its subsidiaries

ARBN 605927464

Preliminary financial statements for the year ended 31 December 2016

Netccentric Limited
Consolidated Statement of profit or loss and other comprehensive income
For the year ended 31 December 2016

	Note	<u>Group</u> <u>2016</u> \$	<u>2015</u> \$
Revenue	2	12,589,226	12,078,335
Cost of sales		(4,585,835)	(4,067,967)
Gross profit		8,003,391	8,010,368
Interest income		157,007	117,710
Other gains		384,690	495,942
Finance costs		(25,475)	(28,348)
Administrative and operating expenses		(5,605,564)	(3,936,151)
Employee benefits expense		(7,511,541)	(5,560,578)
Other losses		(924,794)	(438,716)
Share of profit (loss) from equity-accounted associates		153,859	(4,742)
Loss before income tax		(5,368,427)	(1,344,515)
Income tax expense		(163,684)	(111,664)
Loss, net of tax		(5,532,111)	(1,456,179)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		(63,896)	(430,138)
Other comprehensive loss, net of tax		(63,896)	(430,138)
Total comprehensive loss		(5,596,007)	(1,886,317)
Loss for the year, net of tax attributable to:			
Owners of the parent		(5,335,028)	(1,162,146)
Non-controlling interests		(197,083)	(294,033)
Loss, net of tax		(5,532,111)	(1,456,179)
Total comprehensive loss for the year attributable to:			
Owners of the parent		(5,415,962)	(1,528,557)
Non-controlling interests		(180,045)	(357,759)
Total comprehensive loss		(5,596,007)	(1,886,316)
Loss per share		<u>Cents</u>	<u>Cents</u>
Basic and diluted loss per share	4	(2.03)	(0.51)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Netccentric Limited
Consolidated Statement of financial position
As at 31 December 2016

	Note	<u>Group</u> <u>2016</u> \$	<u>2015</u> \$
ASSETS			
<u>Non-current assets</u>			
Plant and equipment		331,354	273,130
Intangible assets		33,757	697,879
Investments in associates		151,439	61,409
Deferred tax assets		9,076	6,720
Total non-current assets		<u>525,626</u>	<u>1,039,138</u>
<u>Current assets</u>			
Trade and other receivables		3,362,411	3,265,829
Other assets		67,929	106,762
Cash and cash equivalents		7,602,123	12,901,717
Total current assets		<u>11,032,463</u>	<u>16,274,308</u>
Total assets		<u>11,558,089</u>	<u>17,313,446</u>
LIABILITIES			
<u>Non-current liabilities</u>			
Other financial liabilities		31,362	30,573
Total non-current liabilities		<u>31,362</u>	<u>30,573</u>
<u>Current liabilities</u>			
Income tax payable		50,472	35,258
Trade and other payables		2,767,234	3,410,856
Other financial liabilities		2,487	5,008
Other liabilities		371,514	339,310
Total current liabilities		<u>3,191,707</u>	<u>3,790,432</u>
Total liabilities		<u>3,223,069</u>	<u>3,821,005</u>
NET ASSETS		<u>8,335,020</u>	<u>13,492,441</u>
<u>EQUITY</u>			
Share capital	3	13,797,086	13,571,077
(Accumulated losses) Retained earnings		(5,073,803)	261,225
Other reserves		(86,119)	-
Share option reserve		228,000	228,000
Foreign currency translation reserves		(280,741)	(199,807)
Equity attributable to owners of the parent		<u>8,584,423</u>	<u>13,860,495</u>
Non-controlling interests		<u>(249,403)</u>	<u>(368,054)</u>
Total equity		<u>8,335,020</u>	<u>13,492,441</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Netccentric Limited
Consolidated Statement of changes in equity
For the year ended 31 December 2016

<u>Group:</u>	<u>Total equity</u> \$	<u>Attributable to parent Sub-total</u> \$	<u>Share capital</u> \$	<u>Retained earnings</u> \$	<u>Other reserves</u> \$	<u>Capital reserves</u> \$	<u>Share option reserves</u> \$	<u>Foreign currency translation reserves</u> \$	<u>Non-controlling interests</u> \$
Current year:									
Balance at 1 January 2016	13,492,441	13,860,495	13,571,077	261,225	-	-	228,000	(199,807)	(368,054)
Movements in equity:									
Total comprehensive loss for the year	(5,596,007)	(5,415,962)	-	(5,335,028)	-	-	-	(80,934)	(180,045)
Increase in contribution by non-controlling interests	264,025	-	-	-	-	-	-	-	264,025
Acquisition of non-controlling interests without a change in control	-	(86,119)	-	-	(86,119)	-	-	-	86,119
Adjustment to purchase consideration on acquisition of remaining interest in an associate ¹	226,009	226,009	226,009	-	-	-	-	-	-
Dividend paid	(51,448)	-	-	-	-	-	-	-	(51,448)
Balance at 31 December 2016	<u>8,335,020</u>	<u>8,584,423</u>	<u>13,797,086</u>	<u>(5,073,803)</u>	<u>(86,119)</u>	<u>-</u>	<u>228,000</u>	<u>(280,741)</u>	<u>(249,403)</u>

¹As a result of the purchase price allocation exercise, certain revisions were made to the provisional accounting of the acquisition. As such, consideration for the acquisition was revised from S\$1.1m to S\$1.3m. This is as a result of using the closing share price of Netccentric Limited on completion date.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Netccentric Limited
Statements of changes in equity
For the year ended 31 December 2016

Group:	<u>Total equity</u> \$	<u>Attributable to parent Sub-total</u> \$	<u>Share capital</u> \$	<u>Retained earnings</u> \$	<u>Other reserves</u> \$	<u>Capital reserves</u> \$	<u>Share option reserves</u> \$	<u>Foreign currency translation reserves</u> \$	<u>Non-controlling interests</u> \$
Previous year:									
Balance at 1 January 2015	2,278,742	2,214,951	65,800	1,982,038	-	509	-	166,604	63,791
Movements in equity:									
Total comprehensive loss for the year	(1,886,316)	(1,528,557)	-	(1,162,146)	-	-	-	(366,411)	(357,759)
Issue of share capital	12,921,265	12,921,265	12,921,265	-	-	-	-	-	-
Share issue costs	(959,250)	(959,250)	(959,250)	-	-	-	-	-	-
Acquisition of remaining interests in an associate	910,000	910,000	910,000	-	-	-	-	-	-
Acquisition of non-controlling interests without a change in control	-	74,086	633,262	(559,176)	-	-	-	-	(74,086)
Transfer to retained earnings	-	-	-	509	-	(509)	-	-	-
Equity share options issued	228,000	228,000	-	-	-	-	228,000	-	-
Balance at 31 December 2015	13,492,441	13,860,495	13,571,077	261,225	-	-	228,000	(199,807)	(368,054)

The above statements of changes in equity should be read in conjunction with the accompanying notes

Netccentric Limited
Consolidated Statement of cash flows
For the year ended 31 December 2016

	2016	Group	2015
	\$		\$
<u>Cash flows from operating activities</u>			
Loss before income tax	(5,368,427)		(1,344,515)
Adjustments for:			
Impairment loss on goodwill	873,251		-
Amortization of intangible asset	16,879		-
Impairment on investment in associates	-		68,074
Depreciation of property, plant and equipment	119,436		125,231
Gain on disposal of property, plant and equipment	-		(32,772)
Fair value adjustment of associate before change in control	-		(192,122)
Share of (profit) loss from associates	(153,859)		4,742
Issue of share options	-		228,000
Interest income	(157,007)		(117,710)
Interest expense	25,475		28,348
Operating cash flows before changes in working capital	(4,644,252)		(1,232,724)
Other assets	38,833		32,621
Trade and other receivables	(103,453)		(98,446)
Trade and other payables	(449,965)		(301,173)
Other liabilities	30,472		175,118
Net cash flows (used in) operations	(5,128,365)		(1,424,604)
Interest paid	(25,475)		(28,348)
Income tax paid	(150,032)		(135,759)
Net cash (used in) operating activities	(5,308,872)		(1,588,711)
<u>Cash flows from investing activities</u>			
Acquisition of subsidiary, net of cash	-		72,107
Dividend from associate	60,773		56,830
Interest received	157,007		117,710
Purchase of property, plant and equipment	(96,885)		(66,317)
Proceeds from disposal of property plant and equipment	-		51,556
Increase in contribution by non-controlling interests	264,025		-
Net cash from investing activities	384,920		231,886
<u>Cash flows from financing activities</u>			
Share issue costs	-		(959,250)
Dividend paid to non-controlling interest	(51,448)		-
Movements in amount due to director	(193,657)		89,865
Movements in amounts due from related parties	-		(12,252)
Movements in amounts due from associates	6,871		98,771
Proceeds from issue of ordinary shares	-		12,921,265
Net cash (used in) from financing activities	(238,234)		12,138,399
Net (decrease) increase in cash and cash equivalents	(5,157,186)		10,781,574
Cash and cash equivalents at the beginning of reporting year	12,901,717		2,235,948
Effects of currency translation on cash and cash equivalent	(142,408)		(115,805)
Cash and cash equivalents, statement of cash flows, ending balance	7,602,123		12,901,717

The above statements of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

Statement of Compliance

The Appendix 4E preliminary financial statements ("financial statements") for the year ended 31 December 2016 have been prepared in accordance with ASX listing rules and the recognition and measurement criteria of the Singapore Financial Reporting Standards ("FRS") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council.

Basis of preparation

The financial statements have been prepared on applicable going concern basis under the historical cost convention except where a FRS requires an alternative treatment (such as fair values). The accounting policies and methods of computation adopted in the preparation of the preliminary financial statements are consistent with those adopted and disclosed in the consolidated entity's half yearly financial statements as at 30 June 2016.

The financial statements are presented in Singapore dollars.

Note 2. Segment Reporting

For management purposes, the group is organised into the following major strategic operating segments that offer different products and services: (1) Influencer Platform, (2) Display Ad Network, (3) Social Media Agency, (4) Digital Asset Production and (5) Others. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The principal segments and type of products and services are as follows:

(1) Influencer Platform	Enables advertisers to engage social media influencers to promote their products and services.
(2) Display Ad Network	Enables advertisers to promote their products or services across a network of over 950,000 sites that attract over 35 million visitors per month.
(3) Social Media Agency	Digital marketing agency specialising in social media strategy and campaign management for advertisers.
(4) Digital Asset Production	Boutique all-in-one digital media production house specialising in web design and development; print & graphic designs; and corporate identity designs.
(5) Others	Others including media production house and mobile blogging applications.

Segment results consist of costs directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the Group are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The following tables illustrate the information about revenue by business units and countries.

Note 2. Segment Reporting (cont'd)

Business Units

	<u>2016</u>	<u>2015</u>
	\$	\$
Influencer Platform	9,291,032	8,948,885
Display Ad Network	149,677	755,111
Digital Asset Production	1,161,515	1,396,919
Social Media Agency	1,904,998	970,012
Others	82,004	7,408
Total	<u>12,589,226</u>	<u>12,078,335</u>

Country

Singapore	4,723,483	4,071,286
Malaysia	4,963,364	4,467,750
Australia	1,185,412	1,381,992
Thailand	1,149,852	1,480,544
China	298,258	542,653
United Kingdom	103,122	134,110
Taiwan	165,735	-
Total	<u>12,589,226</u>	<u>12,078,335</u>

Note 3. Share Capital

	<u>Number of shares issued</u>	<u>Share capital</u>
		\$
<u>Group and company</u>		
<u>Ordinary shares:</u>		
Balance at 1 January 2016	262,500,000	13,571,077
Adjustment to purchase consideration on acquisition of remaining interest in an associate	-	226,009
Balance at 31 December 2016	<u>262,500,000</u>	<u>13,797,086</u>

Note 4. (Loss) per share

The following table illustrates the numerators and denominators used to calculate basic and diluted (loss) per share of no par value:

	<u>2016</u>	<u>2015</u>
	\$	\$
A. Numerator: (loss) attributable to equity:		
Continuing operations:		
Total basic and diluted (loss) attributable to owners of the parent	<u>(5,335,028)</u>	<u>(1,162,146)</u>
B. Denominator: weighted average number of equity shares		
Basic and diluted	<u>262,500,000</u>	<u>228,723,323</u>

The weighted average number of equity shares refers to shares in circulation during the reporting period.

The basic (loss) per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. There is no difference between the basic and diluted weighted average number of shares.

Note 5. Events after the reporting year

No matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the financial position of the group except as follows:

Resignation of Chief Executive Officer

On 27 January 2017, Cheo Ming Shen has resigned from his position as the Chief Executive Officer of Netccentric Limited.

Sale of shares in Exteen Co. Ltd

On 6 January 2017, Netccentric Limited sold its entire interest in Exteen Co. Ltd to Mr Pruet Narathatsajan at S\$57,194.