



ACN 122 921 813

**APPENDIX 4E**

**PRELIMINARY FINANCIAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

This Appendix 4E report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A

## Appendix 4E Information

Comparative Period	Reporting Year
1 January 2015 – 31 December 2015	1 January 2016 – 31 December 2016

### Results for announcement to the market

Year	2015	2016	Var (%)
Revenue from Ordinary activities	7,544,457	8,697,633	+15.3%
Profit (loss) from ordinary activities after tax attributable to members	(2,934,459)	(7,925,266)	+170.1%
Net profit (loss) for the period attributable to members	(2,934,459)	(7,925,266)	+170.1%

No dividend was paid or declared by the Company in the year and up to the date of this report.

The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 31 December 2016.

Operating revenue for 2016 reached \$8.7m, representing an increase of 15% vs \$7.5m in 2015. Revenue from In-App purchases grew 11%, while advertising revenue grew 44%. Our teams have enhanced their tools, strategy and ability to arbitrage on advertising media to achieve a significantly higher proportion of revenues through advertising. Revenues from new products (educational games and apps) have not contributed significantly yet to 2016 revenue as their releases occurred only at the end of the year only.

The cost of revenue increased 41% mainly owing to an increase in royalties paid to IP licensors/partners, due to the fact that an increasing proportion of revenues are being generated from games featuring licensed brands with royalties to be paid to the IP owners. Hosting costs have also increased due to the increased number of players and apps in the Group's portfolio.

Non-operating revenue comes mostly from a gain on the fair value revaluation on performance shares converted and forfeited in 4Q16. This gain has no impact on cash flows.

The Group grew its headcount to be able to develop new and innovative products in addition to its mobile gaming business. The Group also completed the acquisition of TicBits. The headcount at the end of December 2016 is was 125 employees' vs 90 employees one year earlier. Animoca Brands also recruited senior employees including a Director of Finance.

The marketing strategy has been to focus on a limited number of games with high potential in terms of user acquisition. This choice has allowed the Group to successfully reduce its marketing costs by 16% since last year.

Occupancy expenses increased following the increase in headcount and the addition of an office in Finland following the acquisition of TicBits.

Research and Development expenses have increased after the Company decided not to capitalize its development expenses related to the production of the new products (e-books especially). The Group has worked with a lot of supporting companies who provide advanced tools, software, and strategies to build the best apps and games possible and enhance gameplay for players and subscribers.

Other expenses increased following the integration of additional headcount and the acquisition of TicBits. Costs associated with the acquisition itself were included under Other expenses in 2016.

### **Net tangible assets per security**

<b>Year</b>	<b>31 December 2015</b>	<b>31 December 2016</b>
Net tangible assets per security	\$0.011	\$0.008



ACN 122 921 813

# ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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# HIGHLIGHTS

## Financial

1. **Operating revenue of \$8.7 million**, representing a **15% increase** on FY 2016 – driven by increasing in-app purchases and advertising revenue across a number of top performing games, including games released with licensing partner Mattel.
2. **Subscription products already contributing to revenue mix**, despite only launching at the end of the year and being live for less than one month.
3. **\$7.5 million in capital raised** during 2016 via an Institutional Placement and Share Purchase Plan to capitalise on strategic growth opportunities including the acquisition of TicBits and to expedite the development of e-books subscription services with Mattel and other partners.

## Operational

1. **Expansion of licensed IP** – including partnerships with leading Hollywood entertainment studios Lionsgate to produce two mobile games for the animated feature film, *Norm of the North* and DreamWorks Animation to launch a range of book apps based on leading brands including *Madagascar*, *Trolls*, *How to train Your Dragon*, *The Croods* and, *Kung Fu Panda*.
2. **Added subscription products** – Launch of first e-book subscription product in partnership with Mattel.
3. **Game/App Portfolio growth** - reaching a total of 481 unique games and apps, including six games and an e-book now published with Mattel based on leading brands Ever After High, Thomas & Friends and He-Man, as well as a premium book app published with DreamWorks Animation.
4. **Distribution channels expanded audience reach in significant Chinese market**
  - Agreement with Tencent, leading Chinese entertainment company, to publish *Groove Planet* on WeChat
  - Agreement with Xiaomi to publish *Garfield Chef* on their platform
5. **Appointment of Dr Nigel Finch**, as Non-Executive Director, bringing a wealth of small cap directorship expertise.

## CHAIRMAN'S REPORT

Dear Shareholders,

It is with great pleasure I welcome you to Animoca Brands Annual Report for the year ending 31 December 2016. This has been a transformational year for the Company as we have evolved from a pure mobile gaming company to a developer of entertainment and games-based learning products company.

We have added a number of new products to our stable and are particularly excited by the first e-book launched in partnership with Mattel, *Thomas & Friends<sup>TM</sup>: Read & Play!* that achieved over 22,000 subscriptions in the first two months alone since its global launch and brought the Company its first subscription revenues.

### Milestones this year

At the beginning of the year, we set a number of aspirational goals for the business focused on launching more games with leading popular brands with the intention of further growing our user base. Our user base is ultimately the key driver of revenue for the Company and this year we are pleased to announce that we have reached total downloads of 260 million, a 49% increase on last year.

We also wanted to diversify the type of product that we develop and the revenue streams they produce, and we have achieved this with our first subscription e-book product that launched at the end of 2016.

Lastly, we also continue to focus on increasing our licensed brand portfolio through the addition of new brands like *Norm of the North* via our partnership with Lionsgate and Splash Entertainment, and *Madagascar*, *Kung Fu Panda*, *How To Train Your Dragon*, *The Croods*, *Trolls* and more via our partnership with DreamWorks Animation.

### Our Markets

We are positioned at the centre of three growing markets: mobile gaming, e-books and games-based learning.

We have identified a significant opportunity within the games-based learning market, where Animoca Brands can establish itself as a leading player. Through our expertise in developing mobile apps and our partnerships with highly popular children's brands, we are well positioned to enter this space.

It is estimated that global revenue from **game-based learning** technology will reach over \$9.7 billion by 2021 (*Ambient Insight Report*). Furthermore, investment in learning technology companies has seen a substantial increase, with over \$8.6 billion invested in 2014, which was a 268% increase on the prior year (*Global Learning Technology Investment Patterns 2015*).



We are also excited to see that global **e-book** revenue is growing with revenue expected to reach \$25 billion by 2018, with the educational e-book sector revenue accounting for \$7 billion of this (*PwC via Statista*). Our primary target market, **mobile gaming**, also continues to grow and Newzoo estimates that by 2018, mobile gaming revenue will reach US\$44 billion.

### Looking Ahead

This year we successfully raised \$7.5 million via an Institutional Placement and Share Purchase Plan (SPP) to allow us to capitalise on strategic growth opportunities including the acquisition of TicBits made in July, and to expedite the development of the e-book subscription product. The Placement component raised a total of \$6.5 million and was oversubscribed with strong support from investors and well-known institutions while the SPP raised a total of \$1.0 million. I want to thank all our shareholders for their support over the past year and for their participation in the capital raising.

Our acquisition of TicBits added additional resources and new skills and expertise, while establishing a physical presence in the European market. We have made exceptional progress integrating TicBits' game portfolio into our infrastructure that has driven the revenue of TicBits by enhancing the distribution and marketing of their games.

This year, we are seeking further complementary acquisition opportunities with smaller game developers where our established infrastructure can deliver additional benefits through efficient marketing and access to broader distribution.

We expect 2017 to be a pivotal year for the Company as we grow our subscription products and increase the recurring revenue within our portfolio. This year we also intend to focus on enhancing our games engines to deliver our users more sophisticated and engaging gameplay, which will ultimately lead to greater in-app purchase and advertising revenues as users are more engaged with the products.

2017 promises to be another exciting year for Animoca Brands and, I look forward sharing our progress with you.



*Mr David Kim*  
*Chairman*

# Chief Executive Officer's Report

Dear Shareholders,

Welcome to this year's annual report. I am delighted to welcome new shareholders to the Company this year and, I would like to share with you some of the exciting progress we have made in 2016.

## Financial Overview

I am pleased to report that this year operating revenue totalled \$8.7 million, which was a 15% increase on the prior year. This was driven by strong growth in our operating metrics, including a 49% increase in total downloads and a 50% increase in monthly active users (MAUs). Users have been demonstrating strong engagement, and in-app purchases contributed to 48% of operating revenue.

Notably, our first subscription service, which launched this year, has begun to contribute to revenue during the financial year. We now have one book-app and one subscription e-book product live, both launched at the end of the financial year. Therefore, the revenue contribution, whilst still small, is hugely encouraging as the Company begins to diversify its revenue sources.

This year, we also successfully raised a total of \$7.5 million via an institutional placement and share purchase plan. This was used in part to fund the acquisition of TicBits, which has expanded our product and brand portfolio and added a strong development team in Finland, home to several of the most successful mobile game companies in the world.

During the year, we incurred a loss of \$7.9 million, which was due to a variety of factors. The company invested in developing new products and technologies, such as the subscription engine for e-books, that required the company to not only hire employees but also hire outsourced resources. Both factors explain the loss for the year, and as per our accounting policy, we do not capitalize these development costs.

## Operational Success

### Game portfolio

This year we launched 70 new mobile game apps, one book app and an e-book subscription service bringing our total mobile apps portfolio to 481. We launched a number of highly popular games with our brand partners. Across the portfolio, the games launched with Mattel (*He-Man Tappers of Grayskull*, *Thomas & Friends: Race On!* and *Thomas & Friends: Read & Play*) and apps integrated following the TicBits acquisition were some of our top performing apps, and they made a significant contribution to operating revenue.

The acquisition of TicBits added an additional 11 games to the portfolio including *Sudoku*, *Solitaire*, *Minesweeper* and its biggest earner, *Crazy Kings*. We have now successfully incorporated TicBits' games into our existing infrastructure and we are now providing distribution and marketing capabilities through our dedicated teams to TicBits' games alongside the rest of the portfolio. These additional resources increased advertising revenue rates for TicBits' games by 30% for 2017, demonstrating the ability of our existing infrastructure and skills to increase the performance of games created by smaller indie style companies.

### **New subscription products**

This year we diversified our revenue base through the successful launch of our first e-book subscription service: *Thomas & Friends™: Read & Play!* in partnership with Mattel.

*Thomas & Friends™: Read & Play!* includes a variety of content including e-books, interactive games, videos, and learning activities. Since its global launch in December 2016, it has achieved over 22,000 subscriptions in the first two months. It has also achieved strong recognition from our distribution platforms having been featured in the iPad section of the App Store in 79 countries. It also achieved the number one ranking in the Kids category in over 15 countries in the iPad App Store.

### **Brand portfolio expansion**

At the end of 2015, as part of our target for 2016, we stated we would focus on expanding our brand portfolio further. We have achieved adding leading and popular brands *Madagascar*, *The Croods*, *Trolls*, *How To Train Your Dragon*, and *Kung Fu Panda* through our collaborative agreement with DreamWorks Animation and *Norm of the North* through our agreement with Lionsgate and Splash Entertainment.

This coming year, we will continue to focus on collaborating with more brands that will provide us with reach into new regions and audiences.

### **Distribution Platforms**

Further to the successful *Armies of Dragons* mobile app that was published on Tencent's WeChat platform in 2015, we added *Groove Planet* to WeChat as well. WeChat has a user base of over 600 million monthly active users throughout Asia and is recognized as one of the world's largest messenger platforms.

We also added Xiaomi, one of China's largest smartphone makers, to our distribution network and in January 2016 published our popular mobile gaming app *Garfield Chef* there. Nearly 8 million downloads have been achieved since the launch on the Xiaomi platform.

### **Management**

I am delighted to welcome Dr Nigel Finch to the Board. Dr Finch was appointed as a Non-Executive Director in December 2016 and he brings us a wealth of small cap company expertise.

Dr Finch has held a number of directorships with leading small cap ASX listed companies and was instrumental in successful capital raisings for a number of them. He is also a Fellow of the CPA and a Chartered Accountant, and he brings advanced financial modeling, analysis and fiscal planning expertise to this role.

Non-Executive Directors Mr Martin Green and Mr Richard Kuo retired from the Board of the Company this year and I want to take this opportunity to thank them for all their support and hard work over the past two years since the initial listing of Animoca Brands.

### **Growth Strategy and Key Performance Indicators**

In 2017, we look forward to continued expansion through partnerships, new product launches and acquisition opportunities. The board have determined a number of key priorities for the business to track our progress throughout the year. These are as follows:

1. Product Growth and Diversification using existing engines and through potential M&A opportunities;
2. Increase partnerships with brands and distribution platforms; and
3. Revenue growth via subscription products and enhancing in-app purchases and advertising

I will elaborate further on these priorities below.

#### **1. Product Growth and Diversification**

We intend to grow our product portfolio in two ways:

We will leverage existing game engines and brands to create more hit games and subscription products. This also includes the potential to extend the product line to include new technologies such as wearables, virtual reality (VR) and gamified learning products.

We can increase the product portfolio through potential M&A opportunities of smaller players, by adding developed games and engines, as we did with TicBits this past year.

We will then be able to leverage our existing infrastructure of distribution and marketing capabilities to enhance the performance of those acquired products.

#### **2. Brands and Distribution**

Popular brands and well-known characters are a key driver of users, and we will continue to partner with leading global brands in order to access a wider audience in existing and new regions. Similarly, distribution platforms provide access to a large potential user base. Therefore, we are focused on continuing to grow and strengthen our distribution relationships and publish more products across a wider range of platforms.

#### **3. Revenue Growth**

Our revenue proposition is simple; increase revenue across all revenue streams. We intend to do this by:

- Releasing more games, creating more sophisticated games, and using well known-brands to drive downloads and in-app purchases.

- Enhancing in-app advertising attractiveness as the user base grows
- Grow subscription revenue with the launch and promotion of further subscription products including but not only e-books

### Summary

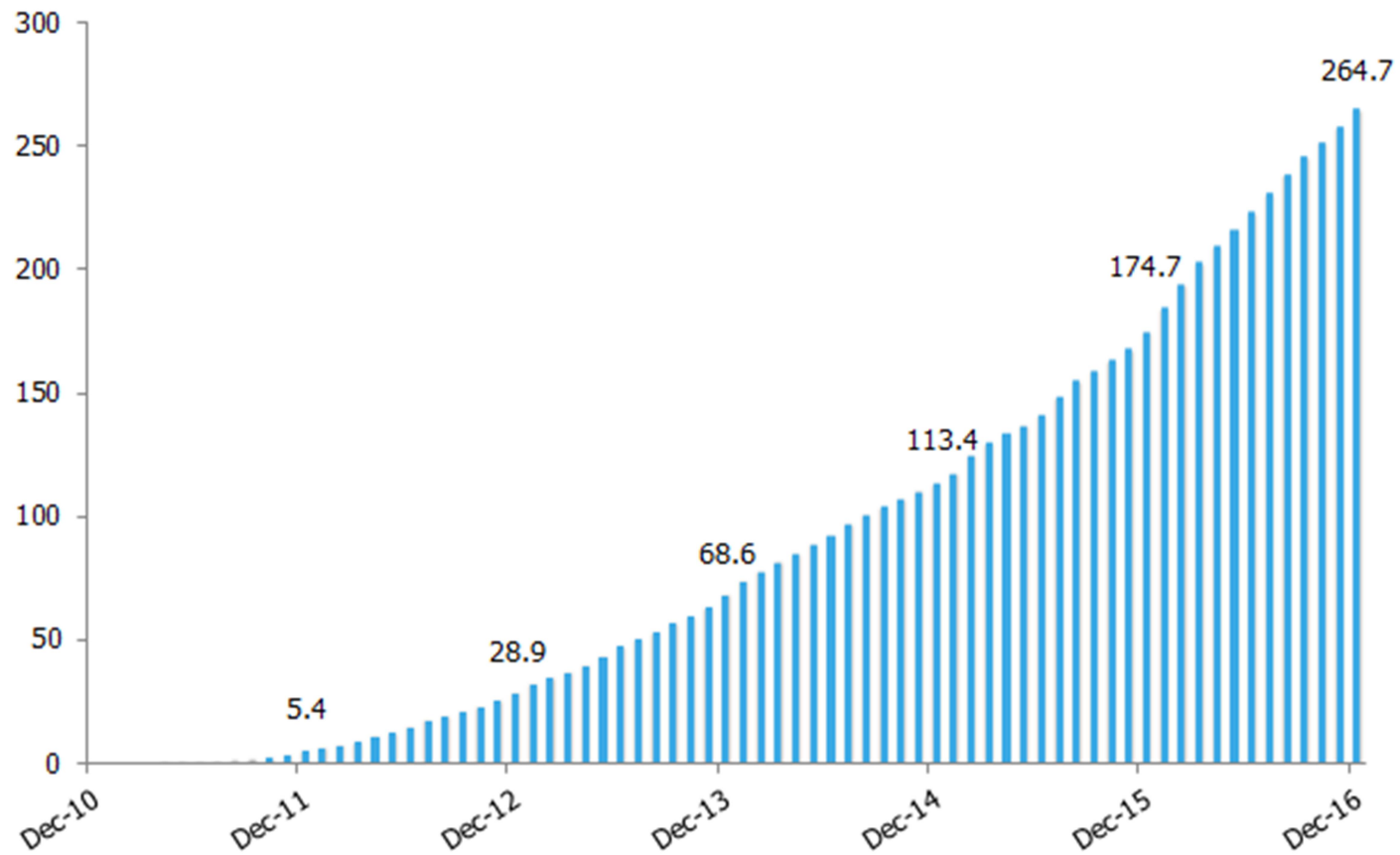
We have in place a focused growth strategy and a highly-skilled team with the necessary expertise to execute on our strategy. We have identified a significant opportunity for us to be able to capitalize on the learning based games market and I expect this to be transformational for the business.

On behalf of the board, I want to thank our shareholders and staff for their support and contribution to the business this year. I look forward to continuing the momentum into 2017, which is already shaping up to be an eventful year for Animoca Brands.

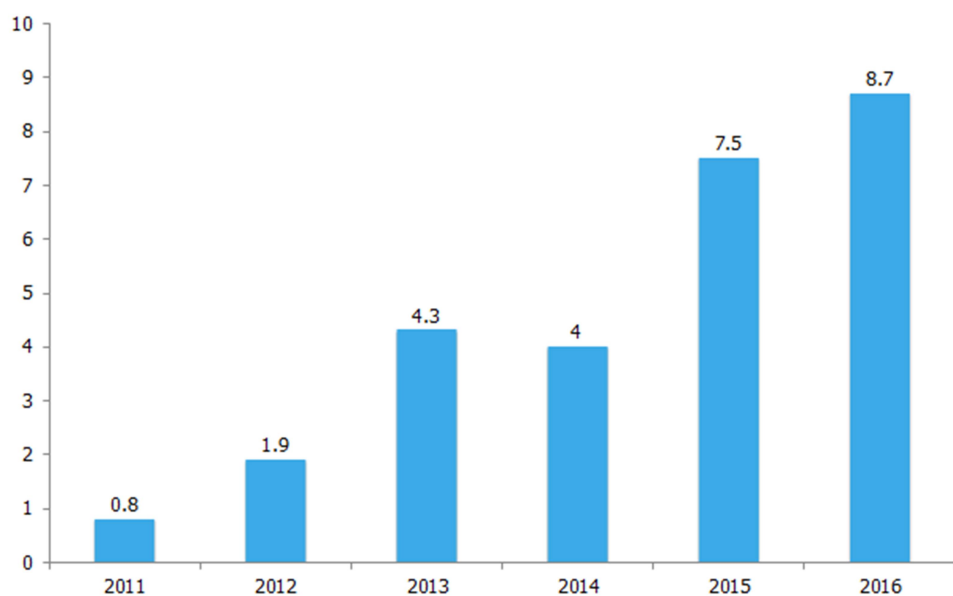


Mr Robert Yung  
Chief Executive Officer

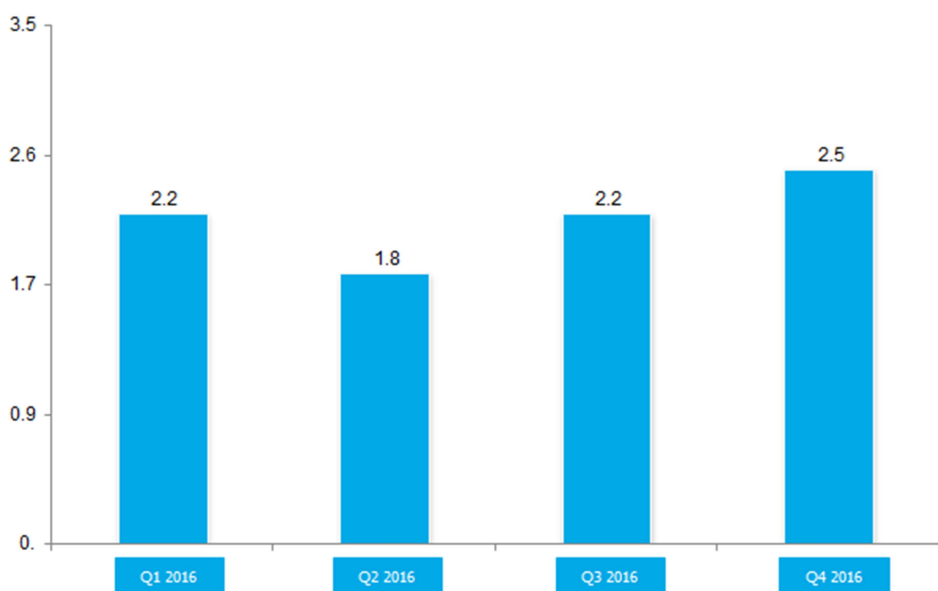
## Total downloads (millions)



## Operating Revenue (AUD \$millions)



## Quarterly Revenue (AUD \$millions)



## **CORPORATE INFORMATION**

ABN 29 122 921 813

### **Directors**

Mr David Kim (Chairman)  
Mr Robert Yung (Managing Director)  
Mr Yat Siu  
Mr David Brickler  
Mr Bin Hu  
Dr Nigel Finch

### **Company Secretary**

Jillian McGregor

### **Registered office**

Suite 3, Shore 2/3, 13 Hickson Road, Sydney, NSW, Australia, 2000

### **Share Register**

Security Transfers Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153  
Phone: +61 8 9315 2333

Animoca Brand Corporation Limited's shares are listed on the Australian Securities Exchange (ASX) under the stock code 'AB1'. Its presentation and functional currency is Australian dollars and unless otherwise stated, amounts referred to in this report are stated in this currency.

### **Auditors**

*Grant Thornton Audit Pty Ltd*  
Level 3, 170 Frome Street  
Adelaide, South Australia, Australia

*Grant Thornton Hong Kong*  
Level 12, 28 Hennessey Road  
Wan Chai, Hong Kong

**Website:** [www.animocabrands.com](http://www.animocabrands.com)



## DIRECTOR'S REPORT

Animoca Brands directors submit their report for the year ended 31 December 2016.

### Directors

The names of the Company's directors in office during the year and until the date of this report are set out below. Directors were in office for this entire year unless otherwise stated.

Names, qualifications, experience and special responsibilities:

### Non-Executive Chairman

#### ***Mr David Kim (BA (Hons))***

Mr Kim serves as the Chief Executive Officer (CEO) of Appionics, more commonly known by the consumer brand 'Animoca'. Prior to that he was the CEO of mail.com Corporation, a leading personalized email and messenger service company based in Seattle and Hong Kong. Mr Kim also manages several independent financing and advisory projects ranging from private equity investments to refinancing of distressed assets. In recent years, he has advised and served on the boards of many prominent companies around the Pacific Rim including Viztel Solutions Group of Malaysia and Daum Corporation in Korea, where after 7 years of service as the chairman of the Audit Committee, he spearheaded the USD \$105 million acquisition of Lycos, Inc. After the highly publicized transaction, Mr Kim managed the integration of the acquisition as the CEO of Lycos. In 1999, when he steered China.com Corporation to its Initial Public Offering and in doing so he became the youngest Chief Financial Officer (CFO) of a company listed on the NASDAQ. He has also served as managing director for Softbank, Inc., and as managing director and CEO for Techpacific Venture Capital Limited. A graduate of Stanford University in Economics and Communications with Honors, Mr Kim is also a classical vocalist with extensive musical and theatrical interest and experience.

### Managing Director

#### ***Mr Robert Yung (BA (Hons) MA)***

Mr Yung is the Chief Executive Officer of Animoca Brands Corporation Ltd and a director of Appionics. He was previously the co-founder and CFO of Redgate Media, a venture-backed Chinese television and outdoor media holding company sold to Inno-Tech Holdings Limited (HK.8202) in 2012. Mr Yung was also co-founder and Chief Strategy Officer of One Media Group Limited (HK.426), a Hong Kong-based magazine group whose IPO he oversaw in 2005. Prior to that, he was the founder and CEO of One Studio Limited, a venture-backed web

development company in Hong Kong, and OSMedia Limited, a Chinese television advertising sales company. Mr Yung began his career in Asia as the General Manager of Metromedia Asia Limited, a subsidiary of Metromedia International Group (AMEX: MMG), building wireless broadband networks and mobile telecoms services in China and Indonesia. He holds a Master of Arts from New York University and a Bachelor of Arts with Honors in Public Policy from the University of Chicago.

#### **Non-Executive Directors:**

##### ***Mr Yat Siu***

Mr Siu is the founder and Chief Executive Officer of Outblaze Limited, a digital media company specializing in gaming, cloud technology, and smartphone/tablet software development. In 2009, he sold Outblaze's messaging division to IBM and successfully pivoted Outblaze Limited from B2B messaging services to B2C digital entertainment. Mr Siu is a director for TurnOut Ventures Limited, a partnership between Outblaze Investments Limited and Turner Entertainment Holdings Asia-Pacific Limited, and he is co-founder of Appionics (known by the consumer brand 'Animoca'), a major developer and publisher of smartphone games. In 2012, he set up ThinkBlaze, the research arm of Outblaze Limited dedicated to investigating socially meaningful issues related to technology. Mr Siu has earned numerous accolades including Global Leader of Tomorrow at the World Economic Forum, and Young Entrepreneur of the Year at the DHL/SCMP Awards. He is a supporter of various Non-Government Organizations (NGOs) and serves on the board of directors for the Asian Youth Orchestra.

##### ***Mr David Brickler (BA (MBA))***

Mr Brickler (BA, MBA) provides IT software integration and technical support for some of Australia's more well-known not-for-profit companies. He has recently served as the ICT Manager for Baptcare - a provider of healthcare and family and community services throughout Victoria and Tasmania. Before this, Mr Brickler was Senior Director of Applications for World Vision International, one of the world's largest non-profit organizations. Prior to that, he served as Asia Pacific CIO for Mizuho Securities Asia Ltd., was an Executive Director of Ernst & Young in Hong Kong, and Global CIO for the Noble Group, one of the largest commodities traders in the world. Mr Brickler was the founder and CEO of Emergent Technology Limited, a venture-backed Hong Kong supply-chain company, and a Vice President of Information Technology at Caspian Securities. Prior to his 14 years in Hong Kong, he spent 15 years in Japan, including several years as the Vice President of Equity Technology at Goldman Sachs Securities Co. Ltd, Japan. Mr Brickler also served in various engineering positions at EDS Japan LLC, Sundai, and Fujitsu Limited. He holds an MBA from Kellogg-HKUST and a BA from Princeton University and is a fluent speaker of Chinese and Japanese.

***Mr Bin Hu,***

Mr Hu has over a decade of experience in the internet and mobile industry and is one of China's pioneers in that space. Mr Hu currently serves as Co-CEO of Ourpalm, where he oversees the company's strategy and operation and spearheads the transformation of Ourpalm into a global gaming company. Prior to joining Ourpalm, Mr Hu was a partner at Chinese venture capital firm Qiming Venture Partners, one of the best-known and successful investors in China. During his time at Qiming, Mr Hu played an important role in the firm's investments in promising Chinese companies, including one of the world's largest smartphone makers, Xiaomi, advertising platform Domob, online dating service provider Jiayuan.com (NASDAQ: DATE), Zhihu.com and D.cn. Mr Hu was instrumental in helping these companies grow into industry leaders. Mr Hu was also a co-founder of KongZhong.net (NASDAQ: Kong), one of China's first mobile value added service providers, where he managed the mobile gaming business. He began his career at Sina (NASDAQ: SINA) and helped launch their news portal, paving the way for the company to eventually become one of China's largest internet portals. He holds a bachelor degree in information science from Peking University.

***Dr Nigel Finch, appointed 28 December 2016***

Dr Finch is a company director and adviser with experience working with early-stage and emerging ASX-listed companies. Dr Finch is currently a Non-Executive Director of medical imaging technology firm Mach7 Technologies (ASX:M7T). He is Managing Director of Saki Partners, a transaction advisory firm assisting public and private sector clients with strategy execution and financial performance. Nigel has significant experience working across Asian markets including assisting Australian firms with international expansion and securing offshore partnerships. He was formerly an Associate Dean at The University of Sydney Business School and a member of CPA Australia's International Advisory Committee. He holds degrees in accounting, business and law and PhD in business law. He is a Chartered Accountant, a Chartered Tax Adviser and a Fellow of the Taxation Institute of Australia, CPA Australia and the Australian Institute of Company Directors.

***Mr Richard Kuo (B.Com., LL.B FAICD), resigned 28 December 2016***

Mr Kuo is the founder and CEO of Pier Capital, a boutique investment banking firm specializing in the technology sectors. He is a non-executive director of Probiotec Limited (ASX Listed), Favourit.com and SCEGGS Darlinghurst Limited and has held directorships of Equity Capital Markets Limited, Glenorchy Arts & Sculpture Park and Australian Art Events Foundation. Mr Kuo initially practiced as a lawyer specializing in corporate law in a large national law firm before moving into investment banking as a corporate financier. His technology experience includes part of the senior management team in Open Telecommunications during a period when it grew to become one of Australia's largest software companies. He has advised on a wide range of domestic and cross-border transactions involving technology and digital media companies and manages a portfolio of

emerging Australian and international technology companies. Mr Kuo is a Fellow of the Australian Institute of Company Directors and holds qualifications in accounting, finance and law together with postgraduate qualifications in applied finance and investment.

***Mr Martin Green (BA (Hons)), resigned 28 December 2016***

Mr Green holds a BA (Hons) in Accounting & Finance from the University of West of England (Bristol) and qualified as a Chartered Accountant with Ernst & Young in London before joining their Corporate Finance Division. He continued his career with Ernst & Young Corporate Finance in Australia before joining Consolidated Press Holdings (CPH) in 1999. During his more than 10 years with CPH he undertook various tasks including sourcing deals, deal analysis and execution and ongoing management of a wide range of investments for the Group.

**Company Secretary**

***Ms Jillian McGregor***

Ms McGregor regularly advises companies and directors on compliance with the Corporations Act 2001 (Cth) and ASX listing rules and other corporate legal matters, having had approximately 20 years' experience working as a corporate lawyer. Ms McGregor holds degrees in commerce and law. Ms McGregor currently holds and has held company secretarial positions for other listed and unlisted companies.

**Interests in the shares, performance shares and options of the Company and related bodies corporate**

As at the date of this report, the interests of the directors in the ordinary shares of Animoca Brands Corporation Limited were as follows (noting no director held options in the Company at the date of this report):

	<b>Number of ordinary shares held directly or indirectly</b>
D Kim	785,000
R Yung	181,000
Y Siu	29,841,164
D Brickler	108,000
B Hu *	14,785,714
N Finch	-

\* Mr Hu is a director of Ourpalm Co Limited, which acquired 14,785,714 fully paid ordinary shares.

## Dividends

No dividend was paid or declared by the Company in the year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 31 December 2016.

## Principal activities

The Group's principal activities are the development and marketing of a broad portfolio of mobile games and apps for smartphones and tablets all over the world. Mobile games and apps developed and/or published by the Group are made available for customers on different App stores including Apple App Store and Google Play. The Group monetizes its games and apps through In-App purchases and advertising offered to the consumers within the games and apps for smartphones and tablets.

In addition to mobile games, the Group launched in 2016 additional products orientated to educational learning, including e-books and a book app, which are the first two new products are likely to develop further in the coming year year.

## Review of operations

### *Game Portfolio and User Growth*

In 2016, Animoca Brands launched 70 new mobile games and apps bringing the total number of mobile games and apps in its portfolio to 481.

The launch of new games and apps accelerated demand across the portfolio, with new downloads up 40%, from 61 million in 2015 to 85 million in 2016, bringing the cumulative total to 260 million at 31 December 2016, compared to 175 million at 31 December 2015.

### *Key Metrics*

	FY 2015	FY 2016	% Change YoY
<b>Average Monthly Active Users</b>	8.4 million	12 million	+50%
<b>Average New Monthly Users</b>	5.1 million	7 million	+37%
<b>Total Apps</b>	411	481	+17%
<b>New Apps</b>	75	70	(7%)
<b>New downloads</b>	61 million	85 million	+40%
<b>Total Downloads</b>	174.7 million	260 million	+49%

### ***New subscription products***

Towards the end of 2016, the Company launched its first e-book product adding subscription revenue to the revenue base. The *Thomas & Friends: Read & Play!* e-book subscription service was created in partnership with Mattel, the brand owner.

Since its global launch in December 2016, *Thomas & Friends: Read & Play!* achieved over 22,000 downloads in the first two months alone.

### ***Brand portfolio expansion***

Over the 12-month period, the Company added new brands to its brand portfolio including the popular brands *Madagascar*, *The Croods*, *How to Train Your Dragon*, *Trolls* and *Kung Fu Panda* through its collaborative agreement with DreamWorks Animation and *Norm of the North* through an agreement with Lionsgate and Splash Entertainment.

### ***Distribution Platforms***

The popular game *Groove Planet* was published on the WeChat, which has a user base of over 600 million monthly active users throughout Asia and is recognized as one of the world's largest messenger platforms.

Animoca Brands also added Xiaomi, one of China's largest smartphone makers, to its distribution network and published its popular mobile gaming app *Garfield Chef*. About 1 million downloads have been achieved since the launch on the Xiaomi.

### **Review of financial results and position**

Operating revenue for 2016 reached \$8.7m, representing an increase of 15% vs \$7.5m in 2015. Revenue from In-App purchases grew 11%, while advertising revenue grew 44%. Our teams have enhanced their tools, strategy and ability to arbitrage on advertising media to achieve a significantly higher proportion of revenues through advertising. Revenues from new products (educational games and apps) have not contributed significantly yet to 2016 revenue as their releases occurred only at the end of the year only.

The cost of revenue increased 41% mainly owing to an increase in royalties paid to IP licensors/partners, due to the fact that an increasing proportion of revenues are being generated from games featuring licensed brands with royalties to be paid to the IP owners. Hosting costs have also increased due to the increased number of players and apps in the Group's portfolio.

Non-operating revenue comes mostly from a gain on the fair value revaluation on performance shares converted and forfeited in 4Q16. This gain has no impact on cash flows.

The Group grew its headcount to be able to develop new and innovative products in addition to its mobile gaming business. The Group also completed the acquisition of TicBits. The headcount

at the end of December 2016 is was 125 employees' vs 90 employees one year earlier. Animoca Brands also recruited senior employees including a Director of Finance.

The marketing strategy has been to focus on a limited number of games with high potential in terms of user acquisition. This choice has allowed the Group to successfully reduce its marketing costs by 16% since last year.

Occupancy expenses increased following the increase in headcount and the addition of an office in Finland following the acquisition of TicBits.

Research and Development expenses have increased after the Company decided not to capitalize its development expenses related to the production of the new products (e-books especially). The Group has worked with a lot of supporting companies who provide advanced tools, software, and strategies to build the best apps and games possible and enhance gameplay for players and subscribers.

Other expenses increased following the integration of additional headcount and the acquisition of TicBits. Costs associated with the acquisition itself were included under Other expenses in 2016.

Over 2016, the statement of financial position showed a decrease in cash as the Group has not yet reached profitability and is not cashflow positive. Based on the \$1.5m in cash available at the end of 2016, the Group felt that the strategic goals for development in 2017 could not be met, and therefore an Underwritten Accelerated Entitlement Offering was undertaken in the first quarter of 2017.

Trade working capital was maintained at a level close to zero as Trade payable payment terms were adapted to trade receivable terms (mostly App stores and platforms, with 60 days payment terms).

The acquisition of TicBits generated the Goodwill that was reflected at the end of 2016, and it is monitored closely to take into account the necessity for any impairment.

Operating cash flows remained negative through the year and Animoca Brands relied on the \$7.5m placement undertaken in April 2016 for working capital.

## **Significant changes in the state of affairs**

### ***Capital Raising***

In April 2016, the Company successfully raised \$6.5 million, at an issue price of \$0.20 per share via a Placement offer. 32.5 million fully paid ordinary shares were issued to sophisticated and professional investors. The Placement was oversubscribed resulting in scale backs and representing the strong belief in the Company's ability to execute its growth initiatives and the

positive market sentiment towards the growing mobile gaming and children's mobile entertainment sectors.

In May 2016, the Company successfully raised \$1 million via a Share Purchase Plan (SPP) that was also significantly oversubscribed. The SPP saw 5 million shares issued at \$0.20 per share, representing the same price as the Placement.

The funds raised from the Placement and SPP were be used to meet working capital requirements and strategic growth opportunities, including expediting the development of e-books, as well as on-going expansion of the Company's app portfolio, and for the future acquisition of content and intellectual property to grow the brand portfolio.

### ***Completion of Acquisition***

In July 2016, the Company acquired Finnish mobile game developer TicBits Oy for an upfront cash consideration of €2.35m (A\$3.5m), and a deferred consideration of €1m (A\$1.5m) payable at the beginning of 2019 subject to certain operational performance obligations and potential earn-out bonus payments.

TicBits represented a highly complementary portfolio of games and IP, enhancing Animoca Brands' existing product offering. Furthermore, the acquisition expanded Animoca Brands' operational footprint into the European market and provided the opportunity to increase advertising opportunities in TicBits apps and leverage Animoca Brands' distribution platforms with the intention of increasing users and revenues in TicBits' games.

TicBits added 11 games and brands to the portfolio including *Sudoku*, *Solitaire*, *Minesweeper* and its popular, *Crazy Kings*. During the second half of 2016, the Company focused on incorporating TicBits' games into its existing infrastructure, and is now providing additional distribution and marketing capabilities to TicBits' games.

### **Significant events after the reporting date**

Post 31 December 2016, the Company launched an Underwritten Accelerated Non-Renounceable Entitlement Offer for Institutional and Retail Investors. On 6 February 2017, Animoca Brands successfully completed the Institutional component of the offer raising \$3.23 million at \$0.03 per share on a 4 for 5 shares basis. This resulted in approximately 108 million new shares being issued on 9 February 2017.

The Company also raised a further \$2 million through the retail component of the underwritten Entitlement Offer. The Retail Entitlement Offer is on the same terms as the Institutional Offer and closed on the 27 February 2017.



The raising has strengthened the Company's cash balance and net proceeds will be used to enhance the Company's portfolio of existing game and e-book engines. By enhancing the existing game/app engines, the Company will be able to accelerate its rate of new game/app releases with higher quality and more developed engines. Furthermore, Animoca Brands intends to continue to expand its intellectual property portfolio by collaborating and licensing more leading brands.

### **Likely developments and expected results**

On 8 August 2016, the Company announced the signing of a licensing agreement with DreamWorks Animation to develop a series of book apps for Asian markets, the first of which, *Trolls: Poppy's Party*, successfully launched in Q4 2016. The Company will continue to develop book apps featuring *Trolls* and other DreamWorks Animation brands including *Kung Fu Panda*, *How to Train Your Dragon*, *Madagascar*, and the *Croods* for launch during 2017. In addition, the Company will continue to enhance its existing game engines and partner with new brands to launch new games based upon those engines. The Company expects that revenues from subscription services, such as *Thomas & Friends: Read & Play*, launched in Q4 2016, will form a material percentage of overall revenues in 2017, alongside the historical revenue streams from games through in-app purchases, advertising, and development services.

Following on the successful Underwritten Accelerated Non-Renounceable Entitlement Offer for Institutional and Retail Investors during February 2017, the Company has strengthened its capital base, and has the resources to enable it to develop and publish apps throughout 2017.

### **Environmental regulation and performance**

The Group's operations are not subject to any significant environmental regulations in Australia or Hong Kong.

### **Share options**

At the date of this report, the following options to acquire ordinary shares in the Company were on issue:

Issue Date	Expiry Date	Exercise Price	Balance at 1 Jan 2016	Net Issued/(exercised or expired) during year	Balance at 31 Dec 2016
24/12/2014	23/01/2018	\$0.20	2,366,025	-	2,366,025
			2,366,025	-	2,366,025

In accordance with the Company's replacement prospectus dated 4 December 2014, a total of 2,366,025 unlisted options were issued to the brokers of the Company in connection with the acquisition of Animoca Brands Corporation.

#### **Indemnification and insurance of directors and officers**

During or since the financial year, the Company has paid premiums in respect of a contract insuring all the directors of Animoca Brands Corporation Limited against legal costs incurred in defending proceedings for conduct other than:

- a) A willful breach of duty.
- b) A contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums was \$16,123.

#### **Indemnification of auditors**

To the extent permitted by the law, the Company has agreed to indemnify its auditors, Grant Thornton Audit Pty Ltd, as part of the terms of its audit engagement agreement against claims by a third party arising from the audit (for an unspecified amount). No payment has been made to indemnify Grant Thornton Audit Pty Ltd during or since the financial year.

#### **Directors' meetings**

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Director's Meetings		Audit & Risk Meetings		Remuneration & Nomination Meetings	
	Attended	Eligible	Attended	Eligible	Attended	Eligible
David Kim	10	10	2	2	-	-
Robert Yung	10	10	2*	2	-	-
Yat Siu	7	10	-	-	-	-
David Brickler	9	10	-	-	-	-
Bin Hu	5	10	-	-	-	-
Nigel Finch	-	-	-	-	-	-
Richard Kuo**	10	10	2	2	-	-
Martin Green**	10	10	2	2	-	-

\*attended by invitation

**\*\* Richard Kuo and Martin Green resigned 28<sup>th</sup> December 2016**

The Company has formed the following committees:

*Audit and risk committee*

Dr Nigel Finch (Chairman)

Mr David Kim

Mr David Brickler

Mr Richard Kuo (former Chairman), *resigned 28 December 2016*

Mr Martin Green, *resigned 28 December 2016*

*Remuneration and nomination committee:*

Mr David Brickler (Chairman)

Mr David Kim

Dr Nigel Finch

Mr Martin Green (former Chairman), *resigned 28 December 2016*

Audit and Risk committee had 2 meetings during the year. No meeting was held by Remuneration and Nomination committee.

**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

**Auditor**

Grant Thornton Audit Pty Ltd is in office in accordance with section 327 of the Corporations Act (Cwth) 2001.

**Non-audit services**

Grant Thornton Audit Pty Ltd, in its capacity as auditor for Animoca Brands Corporation Ltd, has not provided any non-audit services throughout the financial year. The auditor's independence declaration for the year ended 31 December 2016 as required under section 307C of the Corporations Act 2001 has been received and can be found on page 30.

## Remuneration Report (audited)

This Remuneration Report for the year ended 31 December 2016 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

### Introduction

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent.

#### i. Non-executive directors (NEDs) and Managing Director

Mr David Kim	(Chairman)
Mr Robert Yung	(Chief Executive Officer)
Mr Yat Siu	(Non-Executive Director)
Mr David Brickler	(Non-Executive Director)
Mr Bin Hu	(Non-Executive Director)
Dr Nigel Finch	(Non-Executive Director), appointed 28 December 2016
Mr Richard Kuo	(former Non-Executive Director), <i>resigned 28 December 2016</i>
Mr Martin Green	(former Non-Executive Director), <i>resigned 28 December 2016</i>

#### ii. Other KMPs

Mr Lobson Chan	(Chief Operating Officer)
Maxime Barbot	(Director of Finance)
Ms Jillian McGregor	(Company Secretary)

### Remuneration philosophy

The Board is responsible for determining remuneration policies applicable to directors and senior executives of the entity. The broad policy is to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people with appropriate skills and experience. At the time of determining remuneration, consideration is given by the Board to the Group's financial performance.

### Use of Remuneration Consultants

During the financial year, no remuneration consultant was used.

## **Voting and comments made at the Company's 2016 Annual General Meeting**

When a resolution that the 2015 remuneration report be adopted was put to the vote at the Company's Annual General Meeting, 1% of votes cast were against the adoption of that report. The Company did not receive any specific feedback at the annual general meeting on its remuneration report.

## **Director remuneration arrangements**

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The Company's constitution and the ASX listing rules specify that the Non-Executive Director fee pool shall be determined from time to time by a general meeting. The last determination disclosed in the Company's annual general meeting presentation dated 8 April 2016 approved an aggregate fee pool of \$250,000 per year.

## **Contracts**

The current Non-Executive Directors are all subject to an appointment agreed under the letters of appointment.

The Company's Managing Director, Mr Robert Yung, is subject to an Executive Service Agreement entered into with the Company's beneficially owned subsidiary Animoca Brands Ltd (an entity registered in Hong Kong, 'Animoca Brands HK') effective from August 1<sup>st</sup>, 2014. The agreement provides for an annual salary of HK\$1,500,000 and entitles Mr Yung to participate in the Company's rental reimbursement, insurance and medical benefits programs. Animoca Brands HK will also match Mr Yung's contribution to a Mandatory Provident Fund, up to the limit mandated by the Mandatory Provident Fund Schemes Authority. Animoca Brands HK will reimburse reasonable and necessary travel and other expenses incurred by Mr Yung. Either party may terminate the contract on three months' notice to the other or provision of salary in lieu of notice.

The Company's Chief Operating Officer, Mr Lobson, Chan is subject to an employment agreement with Animoca Brands HK effective from August 1<sup>st</sup>, 2014. The agreement provides for an annual salary of HK\$760,320 and entitles Mr Chan to participate in the Company's rental reimbursement, insurance and medical benefits programs. Animoca Brands HK will also match Mr Chan's contribution to a Mandatory Provident Fund, up to the limit mandated by the Mandatory Provident Fund Schemes Authority. Animoca Brands HK will reimburse reasonable and necessary travel and other expenses incurred by Mr Chan.

Either party may terminate the contract on two months' notice to the other or provision of salary in lieu of notice.

The Company's Director of Finance, Mr Maxime Barbot, is subject to an employment agreement with Animoca Brands HK effective from July 25<sup>th</sup>, 2016. The agreement provides for an annual salary of HK\$660,000 and entitles Mr Barbot to participate in the Company's rental reimbursement, insurance and medical benefits programs. Animoca Brands HK will also match Mr Barbot's contribution to a Mandatory Provident Fund, up to the limit mandated by the Mandatory Provident Fund Schemes Authority. Animoca Brands HK will reimburse reasonable and necessary travel and other expenses incurred by Mr Barbot. Either party may terminate the contract on three months' notice to the other or provision of salary in lieu of notice.

## Structure

The remuneration of Non-Executive Directors consists of directors' fees and consulting fees. The payment of additional fees for consulting to the Company recognizes the additional time commitment of Non-Executive Directors who have assisted the Company over and above their director duties.

Non-Executive Directors do not receive retirement benefits other than statutory superannuation.

The remuneration of Non-Executive Directors for the year ended 31 December 2016 and 31 December 2015 is outlined below:

*Table 1: Remuneration of Key Management Personnel*

<b>KMP</b>	<b>Financial Year/Period Ended</b>	<b>Salary and fees \$</b>	<b>Short term benefits \$</b>	<b>Share based payments \$</b>	<b>Post- employment /Super- annuation \$</b>	<b>Total \$</b>
M Green	2016	32,000	-	-	-	32,000
	2015	29,224	-	-	2,776	32,000
R Yung	2016	258,390	-	-	3,100	261,490
	2015	255,596	-	-	3,067	258,663
D Kim	2016	30,000	-	-	-	30,000
	2015	30,000	-	-	-	30,000
Y Siu	2016	30,000	-	-	-	30,000
	2015	30,000	-	-	-	30,000
D Brickler	2016	29,224	-	-	2,776	32,000
	2015	29,224	-	-	2,776	32,000
R Kuo	2016	40,000	-	-	-	40,000

	2015	40,000	-	-	-	40,000
B Hu	2016	30,000	-	-	-	30,000
	2015	10,274	-	-	976	11,250
N Finch*	2016	548	-	-	-	548
	2015	-	-	-	-	-
J McGregor	2016	36,000	-	-	-	36,000
	2015	19,200	-	-	-	19,200
L Chan	2016	127,996	-	-	3,100	131,096
	2015	117,779	-	-	2,555	120,334
M Barbot*	2016	46,927	-	-	1,389	48,316
	2015	-	-	-	-	-
FY 16		698,293	-	-	10,365	708,658
FY 15		561,297	-	-	12,150	573,447

\* N Finch was appointed as director effective from 28 December 2016. M Barbot joined the Company on 25 July 2016.

No element of remuneration of the key management personnel listed above was performance based. Whilst as discussed in the remuneration philosophy, consideration is given to financial performance, there is no direct relationship between Key Management Personnel (“KMP”) remuneration.

*Option holdings of key management personnel*

No options were held by KMPs for the year ended 31 December 2015.

No options were held by KMPs for the year ended 31 December 2016.

*Table 2: Shareholdings of key management personnel – ordinary fully paid shares*

KMP	Balance 1 January 2016	Net change	Net change other	Balance 31 December 2016
D Kim	35,000	750,000 <sup>4</sup>	-	785,000
R Yung	35,000	146,000 <sup>5</sup>	-	181,000
Y Siu	14,056,882	2,521,542 <sup>6</sup>	-	16,578,424
B Hu <sup>3</sup>	-	-	-	-
D Brickler	-	108,000 <sup>7</sup>	-	108,000
N Finch	-	-	-	-
R Kuo <sup>1</sup>	400,000	33,070	(433,070) <sup>8</sup>	-
M Green <sup>2</sup>	977,501	-	(977,501) <sup>2</sup>	-
L Chan	-	-	-	-
M Barbot	-	-	-	-
	<b>15,504,383</b>	<b>3,558,612</b>	<b>(1,410,571)</b>	<b>17,652,424</b>

1. Mr Kuo is a director of Pier Capital Pty Ltd, which acquired 250,000 fully paid ordinary shares under the Company's replacement prospectus dated 4 December 2014. Pier Capital Pty Ltd further acquired 33,070 shares

- in 2016. Mr Kuo, director of Buddha Capital Pty Ltd acquired 150,000 fully paid shares in 2015. Mr Kuo ceased to be director on 28 December 2016.
2. Mr Green ceased to be director on 28 December 2016.
  3. Mr Hu is a director of Ourpalm Co Limited, which owns 14,785,714 fully paid ordinary share acquired in 2015 (Balance 31 December 2015: 14,785,714 shares) .
  4. David Kim bought 750,000 shares on the market on 30 September , 4 and 7 October 2016 at market price.
  5. Robert Yung bought 146,000 shares on the market on 26 and 27 September 2016 at market price.
  6. Yat Siu bought 130,000 shares on the market on 13 October 2016 at market price. Asyla Investment Limited (a company in which Yat Siu has relevant interest) was granted 2,391,542 shares on 27 October 2016 after the conversion of its Class A performance shares into ordinary shares.
  7. David Brickler bought 108,000 shares on the market on 26 September 2016 at market price.
  8. Pier Capital Pty Limited (a company in which Richard Kuo relevant interest) bought 33,070 shares during the Share Purchase Plan and issued these shares on 13 May 2016. Richard Kuo ceased to be a director on 28 December 2016.

*Other transactions and balances with key management personnel and their related parties*

As at 31 December 2016, the following directors' fees were payable to the Company's directors:

<b>Accrued Directors Fees</b>	<b>\$</b>
David Brickler	16,000
Martin Green	8,000
(Steven) Hu Bin	30,000
David Kim	15,000
Yat Siu	22,500
Richard Kuo	40,000
Nigel Finch	548
	<b><u>132,048</u></b>

These amounts are included within Trade and Other Payables within the financial statements.

During the year ended 31 December 2016, the Company has paid office service and management service fees of \$504,350 (2015 - \$320,194) to Outblaze Limited pursuant to an agreement, a company in which Mr Yat Siu is a director and has beneficial interest.

Outblaze Ventures Holdings Ltd (an entity registered in Hong Kong that is a wholly owned subsidiary of Appionics Holdings Ltd) has, in accordance with a Mobile App Advertising Services agreement, earned commissions during the year ended 31 December 2016 totaling \$830,245 (2015 - \$230,364). Messrs David Kim, Robert Yung and Yat Siu are all directors of Appionics Holdings Ltd.

During the year ended 31 December 2016, Outblaze Ventures Holdings Limited has further assigned to Animoca Brands Corporation, all of its rights, title and interest in the advertising



revenue or proceeds in relation to the commercialization of 7 new Apps, including Astro Boy and related characters, with effect from 1 January 2016 at nil consideration according to Addendum 2 Supplemental signed on 1 January 2016 to Deed of Assignment and Novation among Animoca Brands Corporation, Animoca Brands Limited and Outblaze Ventures Holdings Limited signed on 1 August 2014. Outblaze Ventures is a company in which Mr Yat Siu is a director and has beneficial interest.

**End of remuneration report.**

Signed in accordance with a resolution of the Directors.



*Mr David Kim*

*Chairman*

28 February 2017

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**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF ANIMOCA BRANDS CORPORATION LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Animoca Brands Corporation Limited for the year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J. L. Humphrey\*  
Partner – Audit & Assurance

Adelaide, 28 February 2017

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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## Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2016		31 December 2016	31 December 2015
Revenue from operating activities	6	8,697,633	7,544,457
Cost of revenue from operating activities		(3,676,713)	(2,603,921)
<b>Gross profit</b>		<b>5,020,920</b>	<b>4,940,536</b>
Interest Income		11,987	7,693
Gain on fair value adjustment – Performance Shares		506,250	1,010,808
Sundry Income		17,842	-
Employee benefits expense	7	(2,324,828)	(1,402,963)
Marketing expenses		(3,051,097)	(3,632,871)
Occupancy expenses		(800,670)	(560,613)
Research and Development Expenses		(4,854,743)	(2,320,000)
Other expenses	8	(2,450,927 )	(977,049)
<b>Loss before income tax expense</b>		<b>(7,925,266)</b>	<b>(2,934,459)</b>
Income tax benefit/(expense)	9	-	-
<b>Loss attributable to members of the parent entity</b>		<b>(7,925,266)</b>	<b>(2,934,459)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		(36,434)	(22,893)
<b>Total comprehensive loss for the year</b>		<b>(7,961,700)</b>	<b>(2,957,352)</b>
<b>Loss per share:</b>		<i>Cents</i>	<i>Cents</i>
Basic loss per share	23	4.0	2.3
Diluted loss per share	23	4.0	2.3

*The accompanying notes form part of these financial statements*

## Consolidated statement of financial position

As at 31 December 2016		31 December 2016 \$	31 December 2015 \$
	Note		
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	10	1,526,919	4,935,747
Trade and other receivables	11	2,197,005	2,401,703
Financial assets	12	434,083	205,310
Other assets	13	160,256	44,311
<b>TOTAL CURRENT ASSETS</b>		<b>4,318,263</b>	<b>7,587,071</b>
<b>NON CURRENT ASSETS</b>			
Plant and equipment	14	140,139	25,533
Goodwill	15	1,724,208	-
<b>TOTAL NON CURRENT ASSETS</b>		<b>1,864,347</b>	<b>25,533</b>
<b>TOTAL ASSETS</b>		<b>6,182,610</b>	<b>7,612,604</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	2,465,861	2,898,458
Short-term provisions	17	122,056	42,123
Other financial liabilities	18	292,841	2,906,250
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,880,758</b>	<b>5,846,831</b>
<b>TOTAL LIABILITIES</b>		<b>2,880,758</b>	<b>5,846,831</b>
<b>NET ASSETS</b>		<b>3,301,852</b>	<b>1,765,773</b>
<b>EQUITY</b>			
Contributed equity	19	25,690,743	16,192,964
Reserves	20	87,006	(3,793,617)
Accumulated losses		(22,475,897)	(10,633,574)
<b>TOTAL EQUITY</b>		<b>3,301,852</b>	<b>1,765,773</b>

*The accompanying notes form part of these financial statements*

## Consolidated statement of changes in equity

For the year ended 31 December 2016

		Issued capital	Share based payments	Foreign currency trans-	Other components of	Accumulated	Total
	Note	ordinary	reserve	lation reserve	Equity	losses	equity
<b>Balance at 1 January 2016</b>		16,192,964	248,345	(124,905)	(3,917,057)	(10,633,574)	1,765,773
<i>Comprehensive income</i>							
Loss for the year		-	-	-	-	(7,925,266)	(7,925,266)
Other comprehensive income/(expense)		-	-	(36,434)	-	-	(36,434)
<b>Total comprehensive income for the year</b>		-	-	(36,434)	-	(7,925,266)	(7,961,700)
<i>Transactions with owners, in their capacity as owners, and other transfers</i>							
Shares issued on conversion of performance share	<b>18/ 19</b>	2,400,000	-	-	3,917,057	(3,917,057)	2,400,000
Shares issued under placement and SPP	<b>19</b>	7,500,000	-	-	-	-	7,500,000
Transaction costs in issuing shares	<b>19</b>	(402,221)	-	-	-	-	(402,221)
<b>Total transactions with owners and other transfers</b>		9,497,779	-	-	3,917,057	(3,917,057)	9,497,779
<b>Balance at 31 December 2016</b>		25,690,743	248,345	(161,339)	-	(22,475,897)	3,301,852

*The accompanying notes form part of these financial statements*

## Consolidated statement of changes in equity

For the year ended 31 December 2015

	Note	Issued capital ordinary	Share based payments reserve	Foreign currency trans- lation reserve	Other components of Equity	Accumulated losses	Total equity
<b>Balance at 1 January 2015</b>		8,496,742	248,345	(102,012)	(3,917,057)	(7,699,115)	(2,973,097)
<i>Comprehensive income</i>							
Loss for the year		-	-	-	-	(2,934,459)	(2,934,459)
Other comprehensive income/(expense)		-	-	(22,893)	-	-	(22,893)
<b>Total comprehensive income for the year</b>		-	-	(22,893)	-	(2,934,458)	(2,957,352)
<i>Transactions with owners, in their capacity as owners, and other transfers</i>							
Shares issued	19	7,981,500	-	-	-	-	7,981,500
Transaction costs in issuing shares	19	(285,278)	-	-	-	-	(285,278)
<b>Total transactions with owners and other transfers</b>		7,696,222	-	-	-	-	7,696,222
<b>Balance at 31 December 2015</b>		16,192,964	248,345	(124,905)	(3,917,057)	(10,633,574)	1,765,773

*The accompanying notes form part of these financial statements*

## Consolidated statement of cash flows

For the year ended 31 December 2016

		31 December 2016	31 December 2015
	Note		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		8,864,820	5,455,559
Interest and other items of similar nature received		29,829	7,693
Payments to suppliers and employees		(17,033,646)	(9,721,588)
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	<b>10</b>	<b>(8,138,997)</b>	<b>(4,258,336)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for the acquisition of a subsidiary net of cash acquired	<b>4</b>	(1,752,813)	-
Purchase of convertible loans	<b>12</b>	(140,185)	-
Purchase of other financial assets	<b>12</b>	(88,589)	(205,310)
Purchase of property, plant and equipment	<b>14</b>	(145,395)	(27,523)
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>		<b>(2,126,982)</b>	<b>(232,833)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares	<b>19</b>	7,500,000	7,982,000
Payment of transaction costs for issue of shares	<b>19</b>	(402,221)	(285,778)
Repayment of borrowings		-	(976,629)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>7,097,779</b>	<b>6,719,593</b>
Net increase/(decrease) in cash and cash equivalents		(3,168,200)	2,228,424
Exchange rate adjustments		(240,628)	(148,120)
Cash at the beginning of the year		4,935,747	2,855,443
<b>CASH AT THE END OF THE YEAR</b>	<b>10</b>	<b>1,526,919</b>	<b>4,935,747</b>

*The accompanying notes form part of these financial statements*

# Notes to the consolidated financial statements

For the year ended 31 December 2016

## 1. Corporate information

The consolidated financial statements of Animoca Brands Corporation Limited and its subsidiaries (collectively, the Group) for the year ended 31 December 2016 were authorized for issue in accordance with a resolution of the directors on 28 February 2017.

Animoca Brands Corporation Limited is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. The Group's principal activities are the development and marketing of a broad portfolio of mobile games and apps for smartphones and tablets all over the world. Mobile games and apps developed and/or published by the Group are made available for customers on different App stores including Apple App Store and Google Play. The Group monetizes its games and apps through In-App purchases and advertising offered to the consumers with the games and apps for smartphones and tablets.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1.1. Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

The consolidated financial statements provide comparative information in respect of the previous period. The financial report is presented in Australian dollars, being the presentation currency for the Group.

The financial report has been prepared on the basis of a going concern.

### 1.2. Compliance with International Financial Reporting Standards (IFRS)

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### 1.3. Changes in accounting policy, disclosures, standards and interpretations

(i) *Changes in accounting policies*



The accounting policies adopted in the preparation of this Annual Report are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2015.

*(ii) Accounting Standards and Interpretations issued but not yet effective*

Australian Accounting Standards and Interpretations that have recently been issued or amended that potentially impact the Group but are not yet effective and have not been adopted by the Group for the annual reporting period ended 31 December 2016 are outlined below:

**AASB 9 Financial Instruments**

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- a Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.
- b Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognized in profit or loss and there is no impairment or recycling on disposal of the instrument.
- c Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
- d Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- e Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
  - the change attributable to changes in credit risk are presented in Other Comprehensive Income ('OCI')
  - the remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognized in the financial statements when it is first adopted for the year ending 31 December 2018.

### **AASB 15 Revenue from Contracts with Customers**

Replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations:

- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognized over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognized in the financial statements when it is first adopted for the year ending 31 December 2018.

### **AASB 16 – Leases**

AASB 16 will replace AASB 17 Leases for financial reporting periods beginning on or after 1 January 2019. Early adoption is permitted for companies that also apply AASB 15 Revenue from Contracts with Customers.

The key features of the new standard are:

- elimination of classification of leases as either operating leases or finance leases for a lessee
- the recognition of lease assets and liabilities on the statement of financial position, initially measured at present value of unavoidable future lease payments
- recognize depreciation of lease assets and interest on lease liabilities on the statement of profit or loss and other comprehensive income over the lease term

- separation of the total amount of cash paid into a principal portion and interest in the statement of cashflows
- short-term leases (less than twelve months) and leases of low-value assets (such as personal computers) are exempt from the requirements

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognized in the financial statements when it is first adopted for the year ending 31 December 2019.

#### **1.4. Significant accounting policies**

##### **(a) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016. Control achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements, and
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit and loss from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**(b) Current versus non-current classification**

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

**(c) Foreign currency translation**

The Group's consolidated financial statements are presented in Australia dollars, which is also the Parent's functional currency. The other entities within the group have a functional currency of Euros and US Dollars.

*Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

#### *Group companies*

On consolidation, the assets and liabilities of foreign operations are translated into dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

#### **(d) Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

#### *Sales of applications and In-apps purchase items*

The Group receives income from the sale of applications and In-app purchase items via the smart phone platform. Revenue is recognized on a per transaction basis upon the successful download of the applications or in-app purchase items.

#### *Service fee income*

Service fee income is recognized in the accounting period in which the services rendered.

#### *Advertising income*

The Group receives income from the rendering of advertising services through the advertising platform. Revenue is recognized upon the delivery of the service.

#### *Interest income*

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

### **(e) Taxes**

#### *Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognized to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

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

Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognized directly in equity are recognized in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

**(f) Intangible assets**

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred. Development costs previously recognized as an expense cannot be recognized as an asset in a subsequent period.

No development expenditure incurred during the year ended 31 December 2016 or 2015 has been recognized as an intangible asset as they did not meet the criteria for capitalization as listed above.

**(g) Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

**(h) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are



capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## **(i) Financial Instruments**

### *Recognition and initial measurement*

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

### *Classification and subsequent measurement*

Financial instruments are subsequently measured at fair value, amortized cost using the effective interest rate method, or cost.

Amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortization of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

*(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

*(ii) Classification and subsequent measurement of financial liabilities*

The Group's financial liabilities include performance shares and trade and other payables.

Financial liabilities are measured at amortized cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

*(iii) Financial assets at fair value through profit and loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis;

- the assets are part of a Company of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the Company of financial assets is provided internally on that basis to the key management personnel; or
- the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets.

#### **(j) Provisions**

Provisions are recognized when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

#### *Annual leave*

Annual leave benefits are expected to be wholly settled within 12 months and are recorded at the nominal amount of leave outstanding at each reporting date.

#### **(k) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

#### **(l) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognized net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

#### **(m) Property, plant and equipment**

##### *IT equipment and other equipment*

IT equipment and other equipment (comprising fittings and furniture) are initially recognized at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. IT equipment and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is recognized on a straight-line basis to write down the cost less estimated residual value of IT equipment and other equipment. The following useful lives are applied:

- Leasehold improvements : Over the shorter between the lease terms and 5 years
- Office equipment: 5 years
- Furniture and fixtures: 5 years

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within other income or other expenses.

#### **(n) Impairment of non-financial assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent

market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized in the statement of profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

#### **(o) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(p) Earnings per share**

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(q) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(r) Going concern basis of accounting**

In preparing the financial report, the Directors have made an assessment of the ability of the Group to continue as a going concern.

The Group incurred a loss for the year of \$7,925,266 and generated a cash outflow of \$8,138,997 from operating activities.

The Group remains in the development phase of operations and is forecast to operate at an operating loss and cash flow deficit for the immediate forecast period. In considering their position, the Directors have had regard to the current cash reserves, the level of forecast cash expenditure and the additional capital raised subsequent to reporting date. The directors have concluded there are reasonable grounds to believe the company is a going concern and will be able to continue to pay its debts as and when they become due and payable.

**(s) Business combination**

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred, (b) the recognized amount

of any non-controlling interest in the acquire, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized in profit or loss immediately.

#### **(t) Critical Accounting Estimates and Judgments**

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

#### **Key estimates**

##### *Impairment*

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

##### *Share-based payments*

The Group initially measures the cost of cash-settled transactions with employees or contractors using a binomial model to determine the fair value of the liability incurred. The Group initially measures the cost of equity-settled transactions with employees or contractors by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

## **2. Operating Segments**

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The Group has two (2) operating segments: Europe and Asia. In identifying its operating segments, management generally follows the Group's office territories. Both operating segments develop and market mobile app games.

Europe segment consists of TicBits Oy's activities. TicBits was acquired on 4 July 2016 (see note 4). TicBits has its own management team, it engages in business activities from which it may

earn revenue and incur expenses, its operating results are reviewed by the Company management to make decisions and its discrete financial information is available.

Asia segment consists of Animoca Brands Limited's activities. Animoca Brands Limited is the historical operating entity of the Company.

Each of these operating segments is managed separately as each of these segments requires different technologies and resources as well as marketing strategies. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under AASB 8 are the same as those used in its financial statements, except that:

- gains from movement in fair value of performance shares are not included in arriving at the operating profit of the operating segments.
- corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. In the financial year under review, this primarily applies to the Group's headquarters' assets.

Segment information before consolidation elimination for the reporting period is as follows:

	<b>Europe 2016</b>	<b>Asia 2016</b>	<b>Total 2016</b>
<b>Revenue</b>			
From external customers	153,127	8,544,506	8,697,633
From other segments	688,854	-	688,854
<b>Segment revenues</b>	<b>841,981</b>	<b>8,544,506</b>	<b>9,386,487</b>
<b>Segment operating profit/(loss)</b>	<b>308,015</b>	<b>(8,025,314)</b>	<b>(7,713,745)</b>
<b>Segment assets 2016</b>	<b>608,846</b>	<b>5,573,764</b>	<b>6,182,610</b>
<b>Segment liabilities 2016</b>	<b>(74,312)</b>	<b>(2,806,446)</b>	<b>(2,880,758)</b>

The total presented for the Group's operating segments reconcile to the key financial figures as presented in its financial statements as follows:

	<b>2016</b>	<b>2015</b>
<b>Revenues</b>		
Total reportable segment revenues	9,386,487	4,940,536



Elimination of intersegment revenues	(688,854)	-
<b>Group revenues</b>	<b>8,697,633</b>	<b>4,940,536</b>
<b>Profit or loss</b>		
Total reportable segment operating loss	(7,713,745)	(3,571,764)
Other income not allocated	515,872	1,018,501
Other expenses not allocated	(473,402)	(381,107)
Elimination of intersegment profits	(250,438)	-
<b>Group operating loss</b>	<b>(7,921,713)</b>	<b>(2,934,370)</b>
Finance costs	(3,553)	(89)
<b>Group profit before tax</b>	<b>(7,925,266)</b>	<b>(2,934,459)</b>

No comparative data has been included in relation to the segment disclosure as there was only one segment in the prior period.

#### *Customers*

The Groups has no individual customer concentration risk. The underlying users are located mainly throughout the Asia Pacific and European regions.

The Group distributes its games globally on platforms including the Apple App store, Google Play and Amazon, amongst others.

### **3. Information about Subsidiaries**

The consolidated financial statements of Animoca Brands Limited include:

Name	Principal Activities	Country of incorporation	% Equity interest	
			31 Dec 2016	31 Dec 2015
Animoca Brands Corporation	Mobile app game maker	British Virgin Islands	100%	100%
Animoca Brands Ltd	Mobile app game maker	Hong Kong	100%	100%
TicBits Oy	Mobile app game maker	Finland	100%	-

#### *Parent of the group*

The parent entity of the Group is Animoca Brands Corporation Ltd and is based and listed in Australia.

#### **4. Business combination**

Pursuant to the share sale and purchase agreement (the “Agreement”) dated 4 July 2016, the Company completed the acquisition of the entire 100% equity interest in TicBits Oy from Mr Fredrik Wahrman and Mr Niklas Wahrman (collectively, the “Founders” or the “Sellers”) during the year ended 31 December 2016. The acquisition was made to enhance the Group’s position in the mobile games industry. TicBits is a significant business in the Group’s targeted market.

The details of the business combination are as follows:

<b>Fair value of consideration transferred</b>	
Amount settled in cash	3,614,960
<b>Total</b>	<b>3,614,960</b>
<b>Recognized amounts of identifiable net assets</b>	
Property, plant and equipment	2,179
<b>Total non-current assets</b>	<b>2,179</b>
Trade and other receivables	4,202
Cash and cash equivalents	1,982,504
<b>Total current assets</b>	<b>1,986,706</b>
<b>Total assets</b>	<b>1,988,885</b>
Trade and other payables	(98,133)
<b>Total non-current liabilities</b>	<b>(98,133)</b>
Identifiable net assets	1,890,752
<b>Goodwill on acquisition</b>	<b>1,724,208</b>
Consideration transferred settled in cash	3,614,960
Cash and cash equivalents acquired	(1,982,504)
<b>Net cash outflow on acquisition</b>	<b>1,632,456</b>
Acquisition costs charged to expenses	120,357
<b>Net cash paid relating to the acquisition</b>	<b>1,752,813</b>

The goodwill on acquisition represents the expected synergies from combining the operations and other intangible assets that do not qualify for separate identification.

Acquisition-related costs amounting to \$120,357 are not included as part of consideration transferred and have been recognized as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of professional fees.

TicBits incurred a profit of \$308,015 for the period from 5 July 2017 to the reporting date. If TicBits had been acquired on 1 January 2016, revenue of the Group for 2016 would have been \$9.5million, and profit for the year would have increased by \$366,897.

#### *Consideration transferred*

The acquisition of TicBits was satisfied by:

- (i) a cash payment of \$3,614,960 (EUR2,350,000) which was paid during the year ended 31 December 2016;
- (ii) Earn Out Payments; and
- (iii) Milestone Payments.

The Earn Out Payments and Milestone Payments are contingent consideration arrangements (collectively, the “Contingent Consideration Arrangements”) and are detailed as follows:

#### (A) Earn Out Payments

Based on the Agreement, the Company is required to pay the Sellers the following payments upon TicBits reaching the following performance targets (the “Earn Out Payments” and each an “Earn Out Payment”):

- a) if TicBits has achieved net profit after tax (“Net Income”, as defined in the Agreement) of not less than EUR600,000 for the year ended 31 December 2016, then each Seller shall be entitled to a payment of EUR165,000;
- b) if TicBits has achieved Net Income of not less than EUR700,000 for the year ended 31 December 2017, then each Seller shall be entitled to a payment of EUR165,000;
- c) if TicBits has achieved Net Income of not less than EUR800,000 for the year ended 31 December 2018, then each Seller shall be entitled to a payment of EUR170,000;
- d) if TicBits has achieved a Net Income of not less than EUR3,000,000 in any year ended 31 December 2016, 2017 or 2018, then each Seller shall be entitled to a payment in the amount of EUR250,000 for each such year where such minimum Net Income level is achieved in addition to and on top of all the payment amounts stated in the items (a) to (c) above.

In relation to the financial years 2016 and 2017, if TicBits does not achieve the performance target set out in (a) or (b) above in any of these financial years (the “Shortfall Year”), the relevant short fall amount (the “Shortfall”) may be carried forward to the following financial

year; and in the following year, if TicBits achieves a Net Income exceeding the aggregate of (i) the Shortfall and (ii) the relevant Net Income required for the Earn Out Payment to be payable for that year, then the Sellers shall be entitled to the Earn Out Payment for the year which TicBits has achieved the relevant performance target as well as the Earn Out Payment for the Shortfall Year.

The Company has no obligation to pay any Earn Out Payment to a Seller if: (i) TicBits fails to achieve the relevant performance target as set out above and the Shortfall is not achieved before 31 December 2018; or (ii) the Seller ceased to be employed or engaged by TicBits as a bad leaver at any time prior to 31 December 2018.

The Company may settle the Earn Out Payment either (i) by way of cash payment or (ii) (subject to ABCL obtaining any necessary shareholder approval and/or other regulatory consents) by way of procuring ABCL to issue such number of immediately transferrable publically tradeable shares of ABCL to the Sellers with an aggregate value equals to the relevant Earn Out Payment.

(B) Milestone Payments

Based on the Agreement, the Company is required to pay the Sellers the following payments upon TicBits reaching the following performance targets (together the “Milestone Payments” and each an “Milestone Payment”):

- a) if TicBits publishes one new game (such game being initiated and developed by TicBits) on or before 31 December 2018, then each Seller shall be entitled to a payment in the amount of EUR250,000; and
- b) if TicBits publishes two or more new games (such games being initiated and developed by TicBits) on or before 31 December 2018, in addition to the payment under the preceding paragraph, each Seller shall be entitled to an additional payment in the amount of EUR250,000.

The Company has no obligation to pay any Milestone Payment to a Seller if: (i) TicBits fails to achieve the relevant performance target as set out above; or (ii) the Seller ceased to be employed or engaged by TicBits as a bad leaver at any time prior to 31 December 2018.

The Company may settle the Milestone Payment either (i) by way of cash payment or (ii) (subject to ABCL obtaining any necessary shareholder approval and/or other regulatory consents) by way of procuring ABCL to issue such number of immediately transferrable publically tradeable shares of ABCL to the Sellers with an aggregate value equals to the relevant Milestone Payment.

(C) Accounting for the cash consideration and the Contingent Consideration Arrangements

The cash consideration is recognized as part of the investment cost of the acquisition of the subsidiary. For the Contingent Consideration Arrangements included in the business combination i.e. Earn Out Payments and Milestone Payments, these are treated as cash-settled share-based payment transactions as the payments are for post-combination employee services and they are automatically forfeited on termination of employment on or before 31 December 2018.

During the year ended 31 December 2016 and as at the end of the reporting period, no Earn Out Payment or Milestone Payment were paid or payable to the Sellers as the required performance targets were not met for the financial year.

As at 31 December 2016, no provision for Earn Out Payments have been provided as the directors have determined that the performance target in relation to the criteria for 2016 was not met.

As at 31 December 2016, the directors are of the view that it is probable that TicBits will be able to publish two or more new games on or before 31 December 2018. Accordingly, the Company recognized an expense of \$292,841 for the year ended 31 December 2016 in relation to the Milestone Payments, with a corresponding adjustment to other financial liabilities shown under the statement of financial position.

## **5. Financial assets and financial liabilities**

### **5.1 Fair value**

*AASB 7 Financial Instruments - Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

All financial instruments were valued using these valuation techniques. There were no changes in valuation techniques for financial instruments in the year.

The following table presents the group's financial assets and liabilities measured and recognized at fair value at 31 December 2016 and 31 December 2015:

<b>Significant unobservable inputs (Level 3)</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Financial assets</b>	<b>434,084</b>	<b>205,310</b>
<b>Financial liabilities</b>		
Other current liabilities - Milestone payments	284,715	-
Other current liabilities – Performance shares	-	2,906,250

Financial assets represent shares and convertible notes in unlisted private companies.

The milestone liability reflects the probability of making additional payments to the former shareholders of Ticbits OY – refer note 4.

The performance shares matured on 30 June 2016 and Class A performance shares were converted to 12,000,000 ordinary shares on 27 October 2016. Class B performance shares have been forfeited. The company intends to cancel these forfeited shares subject to shareholder approval.

## **5.2 Financial risk management objectives and policies**

The Group's principal financial liabilities comprise of performance shares and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to support its operations. The Group's principal financial assets include trade and other receivables and cash and short-term deposits that are derived directly from its operations.

The Group is not exposed materially to market risk, credit risk or liquidity risk. The Board takes ultimate responsibility for managing the financial risks of the Group.

### **Foreign exchange**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities before consolidation elimination at the reporting date was as follows:

Consolidated	Assets	Liabilities
US Dollars	5,428,678	15,003,537
Euro	1,478,936	50,121

### Trade receivables

The Group has and will have in future financial periods trade receivables due from the App Store (owned by Apple Inc.) and the Google Play Store (owned by Google Inc.) in relation to in app purchases in game apps. In this respect, the Group does have a concentration of receivables with these counterparties. Given the credit worthiness of these parties however, the Group believes it is not exposed to material to credit risk in relation to receivables.

### Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in notes 19 and 20.

Proceeds from share issues are used to fund the Group's development and marketing of its mobile game app portfolio.

## 6. Revenue from Operating Activities

	31 December 2016	31 December 2015
App Advertising revenue	2,516,775	1,706,108
In App Purchases revenue	4,266,448	3,842,562
Service revenue	1,914,410	1,995,787
	8,697,633	7,544,457

## 7. Employee benefits expense

	31 December 2016	31 December 2015
Wages, salaries and other remuneration expenses	2,159,759	1,380,262
Retirement benefit expense	43,406	14,854
Other employment costs	121,663	7,847
	<b>2,324,828</b>	<b>1,402,963</b>

## 8. Other expenses

	31 December 2016	31 December 2015
Share registry	52,004	42,958
Travel	228,873	155,440
Insurance	123,775	122,428
Professional fees	696,745	433,974
Withholding Tax Expense	136,718	42,055
Provision for doubtful debts	587,341	-
Other expenses	625,471	180,194
	<b>2,450,927</b>	<b>977,049</b>

## 9. Income Tax

	31 December 2016	31 December 2015
<b>Accounting (loss) before income tax</b>	<b>(7,925,266)</b>	<b>(2,934,459)</b>
At Australia's statutory income tax rate of 30% (2015: 30%)	(2,377,580)	(880,337)
Adjust for the tax effect of:		
Tax rate differences – Hong Kong	1,069,911	362,715
Un-recognized tax assets	1,307,669	517,622
Income tax (benefit)	-	-

As at 31 December 2016, Animoca Brands Ltd (Hong Kong) had estimated unused tax losses of approximately US\$9,189,000 (2015: US\$3,542,000)), which the Group anticipates may be able to be offset against future taxable income by the Group. The parent entity's tax losses are not



presented as they likely will be forgone due to failing the relevant loss tests in accordance with Australian Taxation legislation. No deferred tax asset has been recognized in respect of these unused tax losses due to the unpredictability of future profit stream. These tax losses do not expire under the current Hong Kong legislation.

## 10. Cash and cash equivalents

	31 December 2016	31 December 2015
Cash in bank and on hand	1,381,401	4,935,747
Short term deposit	145,518	-
	<b>1,526,919</b>	<b>4,935,747</b>
	31 December 2016	31 December 2015
<b>Reconciliation of net loss after tax to net cash flows from operations</b>		
Accounting loss after income tax	(7,925,266)	(2,934,459)
<i>Adjustments for:</i>		
Non-cash items		
Depreciation of plant and equipment	30,789	1,990
Provision for Milestone Payment	292,841	-
Provision for doubtful debt	587,341	-
Foreign currency losses	232,799	125,227
Fair value gain – performance shares	(506,250)	(1,010,807)
<i>Changes in assets and liabilities:</i>		
(Increase) in prepayments	(115,945)	(42,787)
(Decrease)/Increase in trade payables and accruals (net of related party loans)	(432,597)	1,960,545
Increase in provisions	79,933	4,601
(Increase) in receivables	(382,642)	(2,362,646)
<b>Net cash (used in) operating activities</b>	<b>(8,138,997)</b>	<b>(4,258,336)</b>

## 11. Trade and Other Receivables

	31 December 2016	31 December 2015
<b>Trade Receivables</b>		
From third parties	2,330,473	2,305,765
Less: Provision for impairment of receivables	(587,341)	-
	1,743,132	2,305,765
<b>Other receivables</b>		
GST Receivable	(3,362)	4,565
Other Receivable (i)	-	15,077
Related party receivables (ii)	457,234	76,296
	2,197,004	2,401,703

- (i) Other receivables are non-interest bearing and are generally received within 30-60 days.
- (ii) Related party receivables are non-interest bearing and are normally settled on 30-60 day terms. Refer to note 22 for details of these transactions.

At each reporting date, the Company reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2016, the Company has determined trade receivables of \$587,341 as individually impaired (2015: nil). Based on this assessment, an impairment loss of \$587,341 has been recognized (2015: nil). The impaired trade receivables were from one customer.

Trade receivables that were past due but not impaired related to a number of customers that had a good track record of credit with the Company. Based on past credit history, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Company does not hold any collateral in respect of trade receivables past due but not impaired.

## 12. Financial assets

	31 December 2016	31 December 2015
Unlisted convertible loan designated at fair value through profit or loss	345,495	205,310
Unlisted equity securities designated at fair value through profit or loss	88,588	-
	<b>434,083</b>	<b>205,310</b>

In 2015, the Company acquired an unlisted convertible loan (the “Convertible Loan”) with a principal amount of US\$150,000 issued by TinyTap Ltd (“TinyTap”) from Moonblink Limited, a company which is owned and controlled by Mr Yat Siu (a director of the Company). The consideration paid for the Convertible loan was US\$150,000.

During the year ended 31 December 2016, the Company has further subscribed unlisted convertible loan with a principal amount of US\$100,000 issued by TinyTap with the same terms. As at 31 December 2016, the Company has an aggregate unlisted convertible loans (“Convertible Loan”) with principal amounts of US\$250,000 issued by TinyTap (2015: US\$150,000).

The Convertible Loan bears interest at an annual rate of 6% and matures on 7 May 2017. During the year ended 31 December 2016, there was no conversion of the Convertible Loan and the Company plans to hold the investment in Convertible Loan for the foreseeable future.

The Company designated the entire Convertible Loan as financial assets at fair value through profit or loss at initial recognition. The directors of the Company considered that the fair value of the Convertible Loan is not materially different from its carrying amount at the end of the reporting year.

	31 December 2016	31 December 2015
At the beginning of the year	205,310	-
Purchased during the year	140,185	205,310
At the end of the year	<b>345,495</b>	<b>205,310</b>

As at 31 December 2016, the Company held unlisted non-redeemable convertible preference shares (“Convertible Preference Shares”) issued by a company incorporated in Hong Kong. The

Company can elect to convert the entire balance at any time into fully paid ordinary shares of the entity at an initial conversion rate of one-to-one. These shares are subject to automatic conversion upon the completion of a qualified IPO, as defined, or upon the approval or written consent of holders of more than 50% of the preference shares.

The Company designated the entire Convertible Preference Shares as financial assets at fair value through profit or loss at initial recognition. As at 31 December 2016, the directors of the Company considered that the fair value of the Convertible Preference Shares are not materially different from its carrying amount. The reconciliation of the carrying amount of the other financial assets at fair value through profit or loss is as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>
At the beginning of the year	-	-
Purchased during the year	88,588	-
At the end of the year	88,588	-

### **13. Other Current Assets**

	<b>31 December 2016</b>	<b>31 December 2015</b>
Prepayments	152,010	36,144
Deposits	8,246	8,167
	160,256	44,311

## 14. Plant and Equipment

	Leasehold improvements	Office equipment	Furniture and fixtures	Software	Total
<b>Year ended 31 December 2016</b>					
Opening net book amount	6,887	11,648	6,998	-	25,533
Additions	-	135,615	-	9,780	145,395
Depreciation	(1,397)	(21,893)	(1,475)	(6,024)	(30,789)
Closing net book amount	5,490	125,370	5,523	3,756	140,139
<b>At 31 December 2016</b>					
Cost	7,320	144,545	7,707	9,780	169,352
Accumulated depreciation	(1,830)	(19,175)	(2,184)	(6,024)	(29,213)
Net book amount	5,490	125,370	5,523	3,756	140,139

## 15. Goodwill

The movements in the net carrying amount of goodwill are as follows:

	31 December 2016	31 December 2015
<b>Gross carrying amount</b>	-	-
Balance 1 January	-	-
Acquired through business combination	1,724,208	-
Balance 31 December	1,724,208	-

Refer note 4 for details of the business combination.

For the purpose of annual impairment testing goodwill is allocated to the TicBits cash-generating unit, which is the unit expected to benefit from the synergies of the business combination. The recoverable amount of the cash-generating unit was determined based on value-in-use calculations, covering a detailed five-year forecast, followed by an extrapolation of expected cash flows for the CGU's remaining terminal value using the growth rates determined by management. The present value of the expected cash flows is determined by applying a suitable discount rate.

### *Growth rates*

The growth rates reflect management's best estimate of the long-term average growth rates and product mix.

### *Discount rates*

The discount rate of 20% has been applied to the forecasts and reflects appropriate adjustments relating to market risk, specific risk factors associated with the unit and taking into account publicly available information.

## **16. Trade and other payables**

	<b>31 December 2016</b>	<b>31 December 2015</b>
Trade payables (i)	1,640,111	1,125,044
Accrued expenses	651,020	655,479
Related party payables (ii)	174,730	1,117,935
	<b>2,465,861</b>	<b>2,898,458</b>

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms

(ii) Related party payables are non-interest bearing and are normally settled on 30-day terms. Refer to note 22 for details of these transactions.

## **17. Short-term provisions**

### **Current**

	<b>31 December 2016</b>	<b>31 December 2015</b>
Annual leave provision	122,056	42,123
	<b>122,056</b>	<b>42,123</b>

Leave provisions for employees based in Hong Kong are expected to be wholly settled within 12 months. The entire amount is presented as current as the entity does not have the unconditional right to defer the settlement.

## **18. Other financial liabilities**

	<b>31 December 2016</b>	<b>31 December 2015</b>
Milestone Payment provision	292,841	-
Performance shares – current	-	2,906,250
	<b>292,841</b>	<b>2,906,250</b>

As detailed in note 4, the Company may be required to pay Mr Fredrik Wahrman and Mr Niklas Wahrman additional payments upon TicBits reaching performance targets. During the year, the liability recognized is at fair value of the Contingent Consideration Arrangements.

The Company as part consideration for the acquisition of Animoca Brands Corporation BVI in 2014 the Company issued 30,000,000 Class A Performance Shares and 15,000,000 Class B Performance Shares. In accordance with the terms and conditions of the Performance Shares during the year, 30,000,000 Class A Performance Shares converted into 12,000,000 fully paid ordinary shares following satisfaction of performance conditions as at 30 June 2016. The fair value of performance shares converted was \$2,400,000.

As the milestones associated performance with the Company's 15,000,000 Class B Performance Shares were not achieved, Class B performance shares were forfeited.

## 19. Share Capital

	31 December 2016	31 December 2015
Fully paid ordinary shares	25,690,743	16,192,964
	25,690,743	16,192,964

	Number	\$
<b>Ordinary shares</b>		
Balance at 1 January 2016	167,520,708	16,192,964
Institutional Placement	32,500,000	6,500,000
Share Purchase Plan	5,000,000	1,000,000
Class A Performance Shares conversion	12,000,000	2,400,000
Transaction costs on shares issued	-	(402,221)
Balance at 31 December 2016	217,020,708	25,690,743

	Number	\$
Ordinary shares		
Balance at 1 January 2015	118,301,253	8,496,742
Shares issued during the year	49,219,455	7,981,500
Transaction costs on shares issued	-	(285,278)
Balance at 31 December 2015	167,520,708	16,192,964

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorized capital and par value shares. Accordingly, the Company does not have authorized capital nor par value in respect of its issued shares.

Fully paid ordinary shares carry one vote per share and carry the right to dividends (in the event such a dividend was declared).

## 20. Reserves

	31 December 2016	31 December 2015
Share based payments reserve	248,345	248,345
Foreign currency translation reserve	(161,339)	(124,905)
Other components of equity	-	(3,917,057)
	87,006	(3,793,617)

### *Share-based payments*

The share-based payments reserve is used to recognize the value of equity-settled share-based payments provided to employees and consultants, including key management personnel, as part of their remuneration.

### *Foreign currency translation reserve*

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries of Animoca Brands Corporation Ltd that have a different functional currency than Australian Dollars.

### *Other components of equity*

Other components of equity represented the debit side of the recognition of the performance shares (refer note 18). As the issue of the performance shares was a transaction with a controlling shareholder in its capacity as a shareholder, it was not considered appropriate to recognize this amount as an additional expense in the profit and loss. Accordingly, this amount was transferred to share capital upon the instruments being issued in accordance with their relevant performance milestones, or taken as an appropriation to accumulated losses if the instrument is forfeited.



## 21. Share Based Payments

No share based payments were issued in the current financial year.

On 24 December 2014 and in accordance with the Company's replacement prospectus dated 4 December 2014, a total of 2,366,025 unlisted options were issued to the brokers of the Company, Taylor Collison Ltd. The terms of these options were an exercise price of \$0.20 and an expiry date of 23 January 2018 (with the securities escrowed until 23 January 2018).

The options were valued using a binomial option valuation method.

The total value pertaining to these options using the above assumptions amounted to \$248,345.

## 22. Related Party Disclosures

Remuneration of Key Management Personnel

	31 December 2016	31 December 2015
Short-term employee benefits	698,293	561,297
Share based payments	-	-
Termination benefits	-	-
Post-employment benefits	10,365	12,150
Total compensation	708,658	573,447

Outblaze Ventures Holdings Ltd (an entity registered in Hong Kong that is a wholly owned subsidiary Appionics Holdings Ltd) has in accordance with a Mobile App Advertising Services agreement earned commissions during the year ended 31 December 2016 totaling \$830,245 (2015: \$230,364)

During the year ended 31 December 2016, the Company has paid office service and management service fees of \$504,350 (2015: \$320,194) to Outblaze Limited, a company in which Mr Yat Siu is a director and has beneficial interest.

During the period, Apps Gear Limited has engaged the Company for the Dinosaurs Project Mobile Entertainment App Development and earned service fees totaling \$201,540 (2015: nil). Yat Siu is a director and has a beneficial interest in Apps Gear Limited.

Pursuant to the Exclusive Mobile Game Publishing Agreement between the Company and Ourpalm Co, Ltd, giving the right to Ourpalm to publish *Doraemon Gadget Rush* in the People's

Republic Of China, \$268,726 (2015:nil) was recognized as revenue during the year ended 31 December 2016. Bin Hu is a member of the Key Management Personnel of the company and a director in Ourpalm.

The Company has paid \$104,801 (2015: nil) for Thomas and Friends e-Books development via Appibene Ltd, as a third party company.

Set out below is a summary of related receivables/(payables) at reporting date:

<b>Name of company</b>	<b>Relationship</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
Totally Apps Holdings Limited (“Totally Apps”)	Significantly influenced by Mr Yat Siu, director of the Company	457,228	76,271
Baby Cortex Holdings Limited	Significantly influenced by Mr David Kim, director of the Company	6	25
Outblaze Ventures Holdings Limited	Significantly influenced by Mr David Kim, Mr Yat Siu and Mr Robert Yung, directors of the Company	(174,479)	(532,764)
Outblaze Limited	Significantly influenced by Mr Yat Siu, director of the Company	(251)	(379,861)
Moonblink Limited	Significantly influenced by Mr Yat Siu, director of the Company	-	(205,311)
		<b>282,504</b>	<b>(1,041,639)</b>

In addition to the contracted related party transactions detailed above, receivables and payables include amounts that are due (receivable) in relation to app revenues collected on behalf of Animoca Brands and reimbursements of marketing and promotional expenses (Payables) paid on behalf of the company.

## 23. Earnings Per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	<b>31 December 2016</b>	<b>31 December 2015</b>
Net loss attributable to ordinary equity holders of the parent entity:		
Continuing operations	7,925,266	2,934,459
Weighted average number of ordinary shares for basic earnings per share	196,535,735	126,181,931

Pursuant to AASB 133 – there is no dilutive securities on issue.

## 24. Subsequent Events

Post 31 December 2016, the Company launched an Underwritten Accelerated Non-Renounceable Entitlement Offer for Institutional and Retail Investors. On 6 February 2017, Animoca Brands successfully completed the Institutional component of the offer raising \$3.23 million at \$0.03 per share on a 4 for 5 shares basis. This resulted in approximately 108 million new shares being issued on 9 February 2017.

The Company also raised a further \$2 million through the retail component of the Entitlement Offer. The Retail Entitlement Offer is on the same terms as the Institutional Offer and closed on the 27 February 2017.

The raising has strengthened the Company's cash balance and net proceeds will be used to enhance the Company's portfolio of existing game and e-book engines. By enhancing the existing game/app engines, the Company will be able to accelerate its rate of new game/app releases with higher quality and more developed engines. Furthermore, Animoca Brands intends to continue to expand its intellectual property portfolio by collaborating and licensing more leading brands.

## 25. Auditors Remuneration

	31 December 2016	31 December 2015
Grant Thornton for audit and review services*	92,710	91,602
Other services	-	-
	92,710	91,602

\*Grant Thornton Audit Pty Ltd (the parent entity auditor) utilizes the services of Grant Thornton Hong Kong for a component of the audit. Included in the amount disclosed above is \$64,494 paid to Grant Thornton Hong Kong, a related firm of Grant Thornton Audit Pty Ltd.

## 26. Parent Entity Information

	31 December 2016	31 December 2015
Current assets	3,551,424	5,073,155
Non-current assets	-	-
Total assets	3,551,424	5,073,155
<i>Liabilities</i>		
Current liabilities	249,573	401,132
Non-current liabilities	-	2,906,250
	249,573	3,307,382
Issued capital	25,690,743	16,192,964
Accumulated losses	(45,527,012)	(33,648,145)
Share option reserve	248,345	248,345
Other components of equity	22,889,776	18,972,719
Total shareholders' equity	3,301,852	1,765,773
Profit/(loss) of the parent entity	(11,878,868)	(19,071,551)
Total comprehensive profit of the parent entity	(11,878,868)	(19,071,551)

The parent entity has a contingent liability or commitments for expenditure at 31 December 2016. Refer to note 28 for details on its contingent liabilities.

## 27. Commitments

At the reporting date, the total future minimum lease payments payable by the Company under non-cancellable operating leases in respect of properties is as follows:

	31 December 2016	31 December 2015
Within one year	376,334	399,615
Between 1 and 2 years	185,610	-
	561,944	399,615

The Company has leased the office premises in Hong Kong jointly with a related company under an operating lease. The commitment represents the maximum amount that the Company is required to pay based on the leased agreement. The lease does not include contingent rentals.

## 28. Contingent Liabilities

On December 20<sup>th</sup>, 2016 the Company received a statement of claim for \$390,000, interest on all sums awarded to the plaintiff, costs and any further relief the court deems fit issued by the District Court of Western Australia by Patersons Securities Limited ("Patersons"). Patersons was a lead manager engaged under a mandate with respect to a capital raising conducted by Animoca Brands which was completed on or about 1 December 2015.

Animoca Brands conducted a further capital raising on or around April 2016 with another lead manager and Patersons is claiming that the mandate obliged Animoca Brands to offer Patersons the role of lead manager with respect to the capital raising conducted in April 2016.

The directors plan to contest the claim.

## Directors' declaration

In accordance with a resolution of the directors of Animoca Brands Corporation Limited, I state that:

In the opinion of the directors:

- a) The financial statements and notes of Animoca Brands Corporation Limited for the year 31 December 2016 are in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the year ended on that date; and
  - ii. complying with Accounting Standards and the Corporations Regulations 2001;
- b) the financial statements and notes also comply with International Financial Reporting Standards; and
- c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors by the Managing Director and the Group's Director of Finance in accordance with section 295A of the Corporations Act 2001 for the year ended 31 December 2016.

On behalf of the board



*Mr David Kim*

*Chairman*

28 February 2017

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## **INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF ANIMOCA BRANDS CORPORATION LIMITED**

### **REPORT ON THE AUDIT OF THE FINANCIAL REPORT**

#### **Opinion**

We have audited the financial report of Animoca Brands Corporation Limited (the Company), and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying consolidated financial report of Animoca Brands Corporation Limited, is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### **Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial report of the current period. These matters were addressed in the context of our audit of the consolidated financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><b>Acquisition accounting – TicBits Oy</b> <b>Note 1.3(s) and 4</b></p> <p>During the year the Company acquired TicBits Oy, an app development company based in Europe. Under the terms of the agreement the Company was required to make an upfront cash payment of A\$3,614,960. The company has also agreed to milestone and earn out payments being made to the previous shareholders based on certain terms and conditions.</p> <p>The acquisition resulted in a goodwill of A\$1,724,208, being recognised representing the difference between the fair value of the consideration paid/payable and the identifiable net assets of Tic Bits Oy.</p> <p>This area is a key audit matter due to the structure and relative size of the acquisition, as well as the assumptions that were used in the purchase price allocation.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Reviewing the share purchase agreement for purchase consideration, details of acquired assets and liabilities, contingencies and owner/employee compensation arrangements;</li> <li>• Considering the requirements of AASB 3 – <i>Business Combinations</i> in relation to the accounting treatment for the deferred milestone and earn out arrangements;</li> <li>• Reviewing the purchase price allocation, in particular the identification and valuation of intangible assets. Specifically we: <ul style="list-style-type: none"> <li>– identified and assessed the key assumptions in the calculation of goodwill;</li> <li>– obtained from management available evidence to support the key assumptions;</li> <li>– tested the methodology and mathematical accuracy of the calculation;</li> <li>– considered the reasonableness of revenue and costs associated with deferred portions payable; and</li> </ul> </li> <li>• Assessing the adequacy of the Group's disclosures within the financial statements.</li> </ul>
<p><b>Revenue recognition</b> <b>Note 1.3(d) and Note 6</b></p> <p>Revenue is the key driver of the Group and is generated through multiple revenue streams. Sales of applications and in-app purchases revenue is captured through smart phone platforms and is recognised as revenue on a per transaction basis upon the successful download of the applications or in-app purchase items. Advertising and service revenues is recognised based on the timing of services rendered.</p> <p>The Group focuses on revenue as a key performance measure and is also a key driver by which the performance of the Group is measured. This area is a key audit matter due to the volume of transactions and the total revenue from operations.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Documenting the processes and assessing the internal controls relating to revenue processing and recognition;</li> <li>• Reviewing the revenue recognition policy for each revenue stream for compliance with AASB 118 <i>Revenues</i>;</li> <li>• Reviewing a sample of service fee and advertising income to supporting contracts to ensure revenue was recognised in line with the revenue recognition policy;</li> <li>• Performing analytical procedures to understand movements and trends in revenue;</li> <li>• Performing a revenue occurrence test which involved tracing app sales and in-app purchases revenue to information available from the smart phone platforms;</li> <li>• Performing cut-off testing to ensure that revenue transactions around year end have been recorded in the correct reporting period; and</li> <li>• Assessing the adequacy of the Group's revenue disclosures within the financial statements.</li> </ul>



Key audit matter	How our audit addressed the key audit matter
<b>Going concern Note 1.3(r)</b>  In considering the going concern basis of accounting, management consider whether there are any “material uncertainties that would cast significant doubt” on the Group’s ability to continue as a going concern. In making this assessment management need to consider the period of at least 12 months from the date of signing the financial statements (i.e. to February 2018).  This assessment is largely based on assumptions made by the Directors in their cash flow forecasts. These forecasts include the Directors assumptions regarding the timing of future cash flows, operating results, capital raising activities and timing of any additional app releases which are by their nature uncertain.  This area is a key audit matter due to the nature of the business and its dependence on the level of available funds and its ability to raise additional funds, as well as the history of operating losses and negative cash flows.	Our procedures included, amongst others: <ul style="list-style-type: none"> <li>• Obtaining and reviewing management’s cash-flow forecast to assess whether current cash levels can sustain operations of the business for a period of at least 12 months from the proposed date of signing the financial statements;</li> <li>• Reviewing the assumptions used by management in the going concern forecasts for reasonableness and challenged where necessary;</li> <li>• Reviewing subsequent events as they pertain to fundraising and cash levels of the Group; and</li> <li>• Assessing the adequacy of the Group’s related disclosures within the financial statements.</li> </ul>

### **Information Other than the Financial Report and Auditor’s Report Thereon**

The Directors are responsible for the other information. The other information comprises the information in the Group’s annual report for the year ended 31 December 2016, but does not include the financial report and the auditor’s report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors’ for the Financial Report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf). This description forms part of our auditor's report.

#### **REPORT ON THE REMUNERATION REPORT**

##### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2016.

In our opinion, the Remuneration Report of Animoca Brands Corporation Limited, for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

##### **Responsibilities**

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J. L. Humphrey,  
Partner – Audit & Assurance

Adelaide, 28 February 2017

## ASX Additional Information

The information in this section has been prepared as at 10 February 2017, unless otherwise specified.

### CORPORATE GOVERNANCE STATEMENT

The Company's corporate governance statement is located on the Company's website at [www.animocabrands.com/corporate-governance/](http://www.animocabrands.com/corporate-governance/).

### 20 LARGEST HOLDERS OF ORDINARY SHARES

Holder Name	Securities	%
OUTBLAZE ASIA INV LTD	26,790,012	8.25%
HSBC CUSTODY NOM AUST LTD	26,765,429	8.24%
ASYLA INV LTD	16,413,424	5.05%
DATAHOUSE INV LTD	16,909,089	5.20%
HSBC CUSTODY NOM AUST LTD	15,283,940	4.70%
FINGERFUN HK LTD	14,785,714	4.55%
INTEL CAP CORP	12,801,432	3.94%
PHEBY PAUL JOHN	11,375,680	3.50%
STARTIVE VENTURES INC	10,769,628	3.31%
YONG HUI CAP HLDGS I LTD	10,210,385	3.14%
UBS NOM PL	7,842,014	2.41%
CLELAND PROJECTS PL	7,204,284	2.22%
BRISPOT NOM PL	6,996,911	2.15%
JETOSEA PL	6,000,000	1.85%
RENDERSON LTD	5,882,406	1.81%
HONGKONG LEDONG TECH LTD	5,487,503	1.69%

ARDROY SEC PL	4,732,680	1.46%
ELEUTHEO INV LTD	3,864,852	1.19%
VIRGARA DOMINIC	3,700,001	1.14%
PRICE JOHN ALAN MACBRIDE	3,500,000	1.08%
<b>TOP 20 TOTAL</b>	<b>217,315,384</b>	<b>66.88%</b>

### SUBSTANTIAL HOLDERS

Set out below are the names of substantial holders in the Company and the number of equity securities in which each substantial holder and the substantial holder's associates have a relevant interest, to the best of the knowledge of the Company.

Substantial Holder	No of Equity Securities
Datahouse Investments Limited / Dennis Kim	30,436,361 ordinary shares
Asyla Investments Limited / Yat Siu	29,841,164 ordinary shares
Startive Ventures, Inc./ Simon Clausen	24,231,662 ordinary shares
Paul John Pheby	22,178,892 ordinary shares

### DISTRIBUTION OF HOLDERS OF ORDINARY SHARES

Spread of Holdings	Holders	Securities	% of Issued Capital
NIL holding	0	0	0.00%
1 - 1,000	96	43,477	0.01%
1,001 - 5,000	151	395,767	0.12%
5,001 - 10,000	73	604,305	0.19%
10,001 - 100,000	249	9,926,208	3.06%
Over 100,000	186	313,928,602	96.62%
<b>TOTAL ON REGISTER</b>	<b>755</b>	<b>324,898,359</b>	

## DISTRIBUTION OF HOLDERS OF CLASS B PERFORMANCE SHARES

As the performance milestones associated with the Company's 15,000,000 Class B Performance Shares were not achieved in accordance with the terms and conditions of these shares, they were automatically forfeited on Monday 31 October 2016 for no consideration. Therefore, these shares are not held by shareholders and there is no distribution of holders. The Company intends to cancel these shares subject to shareholder approval in accordance with the Corporations Act 2001 (Cth).

## DISTRIBUTION OF OPTIONHOLDERS

Spread of Holdings	Holders	Securities	% of Issued Capital
NIL holding	0	0	0.00%
1 - 1,000	0	0	0.00%
1,001 - 5,000	0	0	0.00%
5,001 - 10,000	0	0	0.00%
10,001 - 100,000	0	0	0.00%
Over 100,000	1	2,366,025	100.00%
TOTAL ON REGISTER	1	2,366,025	

## NUMBER OF HOLDERS AND VOTING RIGHTS IN EACH CLASS OF SECURITIES

Class of Security	No of Holders	Voting Rights
Ordinary shares	755	Yes (set out below)
Unquoted options exercisable at \$0.20 expiring on 23 January 2018	1	No
Class B Performance Shares. <i>These shares have been forfeited. The company intends to cancel these shares subject to shareholder approval.</i>	0	N/A

Subject to the Company's constitution and to any rights or restrictions for the time being attached to any class or classes of shares at meetings of shareholders or classes of shareholders:

- each shareholder entitled to vote may vote in person, by proxy or representative;

- on a show of hands, every shareholder or person entitled to the rights of a shareholder according to the Company's constitution present in person, by proxy or representative, has one vote; and
- on a poll, every shareholder or person entitled to the rights of a shareholder according to the Company's constitution present in person, by proxy or representative, has:
  - one vote for each fully paid share that shareholder holds; and
  - a fraction of a vote for each partly paid share that shareholder holds, where the fraction is equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) on that share,
 except that a shareholder is not entitled to vote shares at a general meeting if:
  - any calls or other sum presently payable by that shareholder in respect of those shares are outstanding; or
  - that shareholder is in breach of the ASX Listing Rules relating to restricted securities, or in breach of a restriction agreement by that shareholder in relation to those shares.

#### UNMARKETABLE PARCELS OF ORDINARY SHARES

The number of holders of ordinary shares with less than a marketable parcel of ordinary shares is 373.

#### SECURITIES SUBJECT TO ASX MANDATORY RESTRICTION OR VOLUNTARY ESCROW AGREEMENTS

There are no shares subject to ASX mandatory restriction or voluntary escrow agreements.

#### CLASSES OF UNQUOTED SECURITIES

Class of Security	No of Holders	Total Units	Holders that own in excess of 20% of class
Unquoted options exercisable at \$0.20 expiring on 23 January 2018	1	2,366,025	These options are held by Taycol Nominees Pty Ltd
Class B Performance Shares. <i>These shares have been forfeited. The company intends to cancel these shares subject to shareholder approval.</i>	0	15,000,000	Nil

#### GENERAL

There is not a current on-market buy-back for the Company's securities.

There have been no issues of securities approved for the purposes of Item 7 of section 611 of the Corporations Act 2001 (Cth) which have not yet been completed.

The name of the Company's company secretary is Jillian McGregor.

The address and telephone number of the Company's registered office are Suite 3, Shore 2/3, 13 Hickson Road, Sydney, NSW 2000 and +61 2 9259 4700 respectively. The address and telephone number of the Company's principal administrative office are Unit 417-421, Level 4, Cyberport 1, 100 Cyberport Road, Hong Kong and +852 2534 0888 respectively.

The registers of securities of the Company and transfer facilities are kept by the Company's share registry, Security Transfer Registrars at 770 Canning Highway, Applecross, Western Australia 6153. The telephone number for Security Transfer Registrars is 1300 992 916 or +61 3 9628 2200 (from overseas).

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.