

# **Tinybeans Group Pty Ltd and Controlled Entities**

ABN 46 168 481 614

Special Purpose Consolidated Financial Statements  
for the year ended 30 June 2016

# **Tinybeans Group Pty Ltd and Controlled Entities**

**For the year ended 30 June 2016**

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# Tinybeans Group Pty Ltd and Controlled Entities

## Directors' report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'group') consisting of Tinybeans Group Pty Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2016.

### Director

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Edward Geller  
Sarah-Jane Kurtini  
Stephen O'Young

### Principal activities

During the year the principal continuing activities of the group consisted of a mobile and web platform that allows parents to record and share digital data privately and securely.

### Significant changes in state of affairs

There have been no significant changes to the group's state of affairs during the year ended 30 June 2016.

### Review of operations

The loss for the group after income tax amounted to \$870,149 (30 June 2015: \$1,822,883).

The group has generated revenues of \$588,443 up from \$84,876 in the previous year. The group is funded by share capital of \$345,000 and convertible note loan funding of \$2,300,000. The company has also claimed Research and Development tax offsets of \$561,263 and Export Market Development Grants of \$150,000.

### Dividends

No dividends have been paid or declared since the start of the financial year.

### Events subsequent to the end of the reporting period

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

### Environmental regulation

The group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

### Options

At the date of this report, the unissued ordinary shares of the company under option are as follows:

	Grant date	Expiry date	Number of options granted	Valuation Exercise Price \$	Total value of options \$
Jen Brown	1 February 2014	1 February 2024	2,660	23.97	63,760
Kawaii Investments Pty Ltd as trustee for the Kawaii Wipfli Family Trust	1 February 2015	1 February 2025	1,723	24.35	41,955
Megan Gardner	1 March 2015	1 March 2025	1,945	23.84	46,369
					<u>152,084</u>

All options were granted over unissued fully paid ordinary shares in the company. Options vest based on the provision of service over the vesting period whereby the consultants become beneficially entitled to the option on vesting date. Options are exercisable by the holder as from the vesting date.

# **Tinybeans Group Pty Ltd and Controlled Entities**

## **Directors' report (continued)**

### **Indemnity and insurance of officers**

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

### **Proceedings on behalf of the company**

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings.

The company was not a party to any such proceedings during the year.

### **Auditor's independence declaration**

The auditor's independence declaration is set out on page 5.

This directors' report is signed in accordance with a resolution of the Board of Directors:



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Director            Eddie Geller

Dated:            Feb 9, 2017

**RSM Australia Pty Ltd**

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[www.rsm.com.au](http://www.rsm.com.au)**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Tinybeans Group Pty Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- i. the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

**RSM AUSTRALIA**  
**G N Sherwood**  
DirectorSydney, NSW  
Dated: 9 February 2017

# Tinybeans Group Pty Ltd and Controlled Entities

## Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2016

	<u>Notes</u>	<u>2016</u> <u>\$</u>	<u>2015</u> <u>\$</u>
Revenue	2	588,443	84,876
Other income	2	716,800	665,149
<b>Expenses</b>			
Printing costs		(124,723)	(74,995)
Employee benefits		(954,584)	(846,917)
Marketing and advertising		(448,177)	(350,140)
Administration		(97,171)	(236,611)
Share based payments expense		(68,911)	(46,459)
Online software		(262,125)	(91,604)
Product development		(11,049)	(146,213)
Depreciation and amortisation		(3,155)	(1,472)
Finance costs		(100,000)	(666,653)
Other expenses		(105,497)	(111,844)
<b>Loss before income tax</b>		<b>(870,149)</b>	<b>(1,822,883)</b>
Income tax expense		-	-
<b>Loss for the year</b>		<b>(870,149)</b>	<b>(1,822,883)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(870,149)</b>	<b>(1,822,883)</b>

The accompanying notes form part of these financial statements.

# Tinybeans Group Pty Ltd and Controlled Entities

## Consolidated statement of financial position as at 30 June 2016

	<u>Notes</u>	<u>2016</u> <u>\$</u>	<u>2015</u> <u>\$</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	182,414	517,781
Term deposit		17,325	17,325
Trade and other receivables	4	797,248	678,016
Total current assets		<u>996,987</u>	<u>1,213,122</u>
<b>Non-current assets</b>			
Plant and equipment	5	9,533	8,342
Total non-current assets		<u>9,533</u>	<u>8,342</u>
<b>Total assets</b>		<u>1,006,520</u>	<u>1,221,464</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	6	122,601	80,827
Borrowings	7	3,066,666	2,666,667
Provisions	8	27,687	18,458
Deferred revenue		165,614	30,322
Total current liabilities		<u>3,382,568</u>	<u>2,796,274</u>
<b>Total liabilities</b>		<u>3,382,568</u>	<u>2,796,274</u>
<b>Net liabilities</b>		<u>(2,376,048)</u>	<u>(1,574,810)</u>
<b>Deficiency</b>			
Issued capital	9	345,000	345,000
Reserves	12	124,224	55,313
Accumulated losses		<u>(2,845,272)</u>	<u>(1,975,123)</u>
<b>Total deficiency</b>		<u>(2,376,048)</u>	<u>(1,574,810)</u>

The accompanying notes form part of these financial statements.

# Tinybeans Group Pty Ltd and Controlled Entities

## Consolidated statement of changes in equity for the year ended 30 June 2016

	Issued capital \$	Share option reserve \$	Accumulated losses \$	Total \$
<b>Balance at 1 July 2014</b>	320,738	8,854	(152,240)	177,352
<b>Comprehensive loss</b>				
Loss for the year	-	-	(1,822,883)	(1,822,883)
<b>Total comprehensive loss for the year</b>	-	-	(1,822,883)	(1,822,883)
<b>Transactions with owners, in their capacity as owners</b>				
Shares issued	24,262	-	-	24,262
Share options issued	-	46,459	-	46,459
<b>Total transactions with owners, in their capacity as owners</b>	24,262	46,459	-	70,721
<b>Balance as at 30 June 2015</b>	345,000	55,313	(1,975,123)	(1,574,810)
<b>Balance at 1 July 2015</b>	<b>345,000</b>	<b>55,313</b>	<b>(1,975,123)</b>	<b>(1,574,810)</b>
<b>Comprehensive loss</b>				
Loss for the year	-	-	(870,149)	(870,149)
<b>Total comprehensive loss for the year</b>	-	-	(870,149)	(870,149)
<b>Transactions with owners, in their capacity as owners</b>				
Share options issued	-	68,911	-	68,911
<b>Total transactions with owners, in their capacity as owners</b>	-	68,911	-	68,911
<b>Balance as at 30 June 2016</b>	<b>345,000</b>	<b>124,224</b>	<b>(2,845,272)</b>	<b>(2,376,048)</b>

The accompanying notes form part of these financial statements.



# Tinybeans Group Pty Ltd and Controlled Entities

## Consolidated statement of cash flows for the year ended 30 June 2016

		2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,010,647	183,848
Export market development grant received		96,727	12,997
Research and development tax offset credit received		341,010	60,278
Payments to suppliers and employees		(2,084,101)	(1,767,067)
Interest received		4,696	26,295
Net cash used in operating activities	10	(631,021)	(1,483,649)
<b>Cash flows from investing activities</b>			
Payment for plant and equipment		(4,346)	(9,814)
Payment to term deposit		-	(17,325)
Net cash used in investing activities		(4,346)	(27,139)
<b>Cash flows from financing activities</b>			
Proceeds from shares issued		-	24,262
Proceeds from borrowings		300,000	2,000,000
Net cash provided by financing activities		300,000	2,024,262
<b>Net (decrease) / increase in cash held</b>		(335,367)	513,474
Cash and cash equivalents at the beginning of the financial year		517,781	4,307
<b>Cash and cash equivalents at the end of financial year</b>	3	182,414	517,781

The accompanying notes form part of these financial statements.

# Tinybeans Group Pty Ltd and Controlled Entities

## Notes to the consolidated financial statements for the year ended 30 June 2016

### 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **New, revised or amending Accounting Standards and Interpretations adopted**

The group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

#### **Basis of preparation**

The directors have prepared the financial statements on the basis that the group is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared to meet the members needs. The group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared in accordance with the mandatory Australian Accounting Standards and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on 9 February 2017 by the directors of the company.

#### **Parent entity information**

These financial statements present the results of the consolidated entity only. No supplementary information about the parent entity is disclosed.

#### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Tinybeans Group Pty Ltd ('company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended. Tinybeans Group Pty Ltd and its subsidiaries together are referred to in these financial statements as the 'group' or 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

# Tinybeans Group Pty Ltd and Controlled Entities

## Notes to the consolidated financial statements for the year ended 30 June 2016

### 1 Summary of significant accounting policies (continued)

#### a) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the group incurred losses of \$870,149, net cash outflows from operating activities of \$631,021 for the year ended 30 June 2016. As at that date the group had a net current liabilities of \$2,385,581 and \$2,376,048.

The Directors believe that the group will be able to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report after consideration of the following factors:

- The group is in the advanced stages of lodging its prospectus with the ASX with a view to undertaking an initial public offering ('IPO') in the first half of the 2017 financial year. The group is proposing to raise a minimum amount of share capital of \$6,500,000.
- Included in current liabilities is a convertible note facility carried at a value of \$3,066,666. Should the IPO proceed as planned, the IPO would be considered to be a Fundraising Conversion Event as defined in the Note Deed and all Notes Convert into ordinary shares as per Note 7. Should the IPO not proceed, and there is no other Fundraising Conversion or Liquidity Events before the Maturity Date then on the election of the Company the Notes shall be either convertible or redeemable on the Maturity Date or the Maturity Date will be extended for such further period determined at the sole discretion of the Company, but such extension is not to exceed 6 months without the approval of the Noteholders. If the Convertible Notes are excluded from the Net Current Liability calculations, the company is in a net current asset position of \$681,085.
- Should the IPO not proceed for any reason, the directors have satisfied themselves as to the group's ability to fund itself, or alternatively find alternative funding as required. To this extent, the reviewed financial statements for the 6 months ended 31 December 2016 reflect net cash generated by operating activities of \$288,082.

#### b) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

##### *Sale of goods*

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

##### *Advertising revenue*

Advertising revenue is recognised when the advertisement has been displayed on the group's web-site or the media service has been performed.

##### *Subscription revenue*

Subscription revenue is recognised over the life of the subscription period, recovery of the consideration is probable, and the amount of revenue can be measured reliably. Amounts relating to future subscription periods are reflected in deferred revenue.

##### *Government grants*

Revenue from research and development tax offset scheme and export market development grant is recognised in the financial period to which these grants relate.

##### *Data revenue*

Data revenue is recognised when the data service has been provided to the customer.

##### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

# Tinybeans Group Pty Ltd and Controlled Entities

Notes to the consolidated financial statements for the year ended 30 June 2016

## 1 Summary of significant accounting policies (continued)

### c) Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

#### *Depreciation*

The depreciable amount of all fixed assets, is depreciated on a straight-line basis over the asset's useful life commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Plant and equipment	3 - 7 years
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised immediately in the profit or loss. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

### d) Trade and other receivables

Trade receivables are recognised initially at the transaction price (cost) and are subsequently measured at cost less provision for impairment. Most sales are made on the basis of normal credit terms and do not bear interest. Where credit is extended beyond normal credit terms and is more than 12 months, receivables are discounted to present value.

At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

### e) Impairment of assets

At the end of each reporting period, property, plant and equipment, intangible assets and investments are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the present value of the asset's future cash flows discounted at the expected rate of return. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount and an impairment loss is recognised immediately in the profit or loss.

### f) Trade and other payables

Trade payables are recognised at their transaction price. Trade payables are obligations on the basis of normal credit terms and do not bear interest.

# Tinybeans Group Pty Ltd and Controlled Entities

Notes to the consolidated financial statements for the year ended 30 June 2016

## 1 Summary of significant accounting policies (continued)

### g) Employee benefits

#### *Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### *Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Equity-settled compensation*

The group operates an employee share and option plan. Share-based payments are measured at the fair value of the instruments issued and amortised over the vesting periods. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

### h) Cash and cash equivalents

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

### i) Goods and services tax (GST)

Revenues, expenses and assets are recognised 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.

### j) Comparative figures

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

### k) Issued capital

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.

# Tinybeans Group Pty Ltd and Controlled Entities

Notes to the consolidated financial statements for the year ended 30 June 2016

## 1 Summary of significant accounting policies (continued)

### l) Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/ (assets) are measured at the amounts expected to be paid to/ (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

### m) Financial instruments

#### Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company 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, amortised cost using the effective interest method, or cost.

# Tinybeans Group Pty Ltd and Controlled Entities

Notes to the consolidated financial statements for the year ended 30 June 2016

## 1 Summary of significant accounting policies (continued)

### m) Financial instruments (continued)

Amortised cost is calculated as 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 amortisation 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) over 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 amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

#### *(i) Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

#### *(ii) 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 amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

#### *(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

#### *(iv) Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified to profit or loss.

#### *(v) Financial Liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

# Tinybeans Group Pty Ltd and Controlled Entities

Notes to the consolidated financial statements for the year ended 30 June 2016

## 1 Summary of significant accounting policies (continued)

### m) Financial instruments (continued)

#### *(vi) Convertible Notes*

Convertible notes are separated into the host liability and embedded derivative components based on the terms of the agreement. On issuance of the convertible notes, the embedded option is recognised at fair value using appropriate method of options valuation. The host debt component of the convertible note is initially measured as the residual amount after separating the embedded derivative. The host debt is carried at amortised cost using the effective interest method until it is extinguished on conversion or redemption.

#### *Embedded Derivative*

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a standalone derivative.

The embedded derivative is separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. The embedded derivative is measured at fair value with changes in value being recorded in profit or loss as a finance charge.

#### De-recognition of financial liabilities

The Company de-recognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

### n) Financial Instruments Issued By the Company

#### *Debt and equity instruments*

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

#### *Compound instruments*

The component parts of compound instruments are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt. The equity component initially brought to account is determined by deducting the amount of the liability component from the amount of the compound instrument as a whole.

#### *Transaction costs on the issue of equity instruments*

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

#### *Interest*

Interest is classified as an expense consistent with the classification in the Statement of Financial Position of the related debt.



# Tinybeans Group Pty Ltd and Controlled Entities

## Notes to the consolidated financial statements for the year ended 30 June 2016

### 1 Summary of significant accounting policies (continued)

#### o) Foreign currency transactions and balances

##### *Functional and presentation currency*

The consolidated financial statements are presented in Australian Dollars (\$AUD), which is also the functional currency of the Parent Company.

##### *Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

##### *Foreign operations*

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period; and
- income and expenses are translated at average exchange rates for the period.

#### p) Provisions

Provisions are recognised 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.

Contributions to defined contribution superannuation plans are expensed in the period incurred.

#### q) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2016. The group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

#### r) Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results.

##### *Key estimates*

##### *(i) Impairment – general*

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

# Tinybeans Group Pty Ltd and Controlled Entities

## Notes to the consolidated financial statements for the year ended 30 June 2016

### 1 Summary of significant accounting policies (continued)

#### r) Critical accounting estimates and judgements (continued)

##### *(ii) Convertible note*

At 30 June 2016 the Group had total borrowings of \$3,066,666 relating to convertible notes as per note 7.

##### *As per AASB 139 paragraph 11*

An embedded derivative shall be separated from the host contract and accounted for as a derivative under this Standard if, and only if:

- (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- (b) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a *financial asset or financial liability*).

The Group has determined the characteristics of the convertible note meet the criteria of an embedded derivative according to the above accounting standards. Further the embedded derivative has been valued separately from the debt host liability and recorded at fair value at each reporting period, with changes in value being recorded in profit or loss as a finance charge.

The assessed fair values of the embedded derivative are determined using an appropriate pricing model and are revalued at conversion and/or reporting date.

##### *(iii) Platform and product development costs*

Platform and development costs have been expenses in the year in which incurred. These amounts have been not been capitalised on the basis that the directors consider that the expenditures do not meet the recognition criteria of development costs as defined by AASB 138 Intangible Assets.

##### *(iv) Deferred tax*

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that the future taxable profit will be available against which the benefits of the deferred tax can be utilised. The ability to generate taxable profit is contingent on the successful commercialisation of the community platform and consequently, the directors consider it prudent not to raise any deferred tax assets in the statement of financial position until such time as there is more certainty in relation to the commercialisation of the platform and its related revenue streams.

##### *(v) Research and development tax offset scheme*

Refundable research and development credits received from the research and development tax offset scheme are accounted for as a government grant as per AASB 120. Consequently, a credit is been recognised in the same period necessary to match the benefit of the credit with the costs for which it is intended to compensate. This credit has been presented as other income.

##### *(vi) Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

##### *(vii) Deferred revenue*

Included in deferred revenue is subscription revenue related to the sale of lifetime premiums which are to be recognised in the profit or loss over the subscription period. The key assumption in measuring the deferred revenue is the expected period of usage in relation to lifetime premium subscribers. There is significant estimation uncertainty with regards to the period of use and consequently the directors have estimated the usage period to be 5 years.

# Tinybeans Group Pty Ltd and Controlled Entities

Notes to the consolidated financial statements for the year ended 30 June 2016

	Consolidated	
	2016	2015
	\$	\$
<b>2 Revenue and other income</b>		
Revenue		
Advertising revenue	248,559	7,500
Printing products revenue	129,686	56,331
Premium subscription revenue	172,416	6,436
Other revenue	37,782	14,609
	<b>588,443</b>	<b>84,876</b>
Other income		
Research and development tax offset scheme	561,263	541,010
Export market development grant	150,000	96,727
Interest income	4,696	26,295
Other income	841	1,117
	<b>716,800</b>	<b>665,149</b>
<b>3 Cash and cash equivalents</b>		
Cash at bank	<b>182,414</b>	<b>517,781</b>
<b>4 Trade and other receivables</b>		
Trade receivables	53,133	8,593
Export market development grant receivable	150,000	96,727
Research and development tax offset receivable	561,263	541,010
Other receivables	32,852	31,686
	<b>797,248</b>	<b>678,016</b>
<b>5 Plant and equipment</b>		
Computer equipment	14,160	9,814
Less: accumulated depreciation	(4,627)	(1,472)
	<b>9,533</b>	<b>8,342</b>
Total plant and equipment	<b>9,533</b>	<b>8,342</b>

# Tinybeans Group Pty Ltd and Controlled Entities

Notes to the consolidated financial statements for the year ended 30 June 2016

	Consolidated	
	2016	2015
	\$	\$
<b>6 Trade and other payables</b>		
Trade payables	32,238	19,724
Other payables	90,363	61,103
	<b>122,601</b>	<b>80,827</b>

## 7 Borrowings

### CURRENT

Convertible notes payable	1,921,467	1,461,445
Convertible notes - derivative liability	1,145,199	1,205,222
	<b>3,066,666</b>	<b>2,666,667</b>

On 5 February 2016, the group issued convertible notes to the value of \$300,000 with a maturity date of 5 February 2019. The interest at 1.82% per annum was accrued on the convertible note.

On 5 August 2014, the group issued convertible notes to the value of \$2,000,000 with a maturity date of 5 August 2017. The interest at 2.56% per annum was accrued on the convertible note balance.

The convertible notes have amongst others, the following key terms:

- The notes may be converted in to shares at any time prior to the maturity date based on a predetermined formula that is directly related to the valuation of the business and other variable inputs.
- The convertible notes shall automatically convert into Ordinary Shares in the event of a Fundraising Event or a Liquidity Event as defined in the Note Deed Poll.
- In the event there is no Fundraising Event or a Liquidity Event as defined, then on the election of the company, the notes will either be converted or redeemed, or the maturity date extended at the discretion of the Company.

The net effect of the change in carrying value of the host debt and the embedded option is reflected as a finance charge.

The Group has determined the characteristics of the convertible notes meet the criteria of an embedded derivative according the above accounting standards. Further the embedded derivative has been valued separately from the debt host liability and recorded at fair value at each reporting period, with changes in value being recorded in profit or loss as a finance charge. The assessed fair values of the embedded derivative are determined using an appropriate option pricing model and are revalued at conversion and/or reporting date.

The net proceeds received from the issue of the convertible notes are split between the derivative component (representing the residual attributable to the option to convert into ordinary shares at 30 June 2016 and the financial liability (debt host liability).

The following table gives an overview of the financial instruments valued at fair value.

	Fair Value Measurements at 30 June 2016 Using:		
	Quoted Prices in Active Markets for Identical Assets	Significant Observable Inputs	Significant Unobservable Inputs
<b>Financial liabilities</b>			
Convertible notes – embedded derivative component	-	-	1,145,199

# Tinybeans Group Pty Ltd and Controlled Entities

Notes to the consolidated financial statements for the year ended 30 June 2016

## 7 Borrowings (continued)

### Valuation Techniques

In the absence of an active market for an identical liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured.

The assessed fair values of the embedded derivative are determined using an appropriate option pricing model and a revalued at conversion and/or reporting date.

## 8 Provisions

### CURRENT

Employee benefits

Consolidated	
2016	2015
\$	\$
27,687	18,458

## 9 Issued capital

266,618 (2015: 266,618) fully paid ordinary shares

345,000	345,000
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## 10 Cash flow information

### Reconciliation of cash flow from operations with loss after income tax

Loss after income tax	(870,149)	(1,822,883)
Non-cash flows in loss:		
- depreciation	3,155	1,472
- share based payment expense	68,911	46,459
- finance costs	100,000	666,653
Changes in assets and liabilities:		
- (Increase) in trade and other receivables	(119,232)	(495,588)
- Increase in deferred revenue	135,292	30,322
- Increase in trade and other payables	41,774	80,827
- Increase in provisions	9,228	9,089
	(631,021)	(1,483,649)

# Tinybeans Group Pty Ltd and Controlled Entities

Notes to the consolidated financial statements for the year ended 30 June 2016

## 11 Controlled Entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Country of incorporation	Ownership interest	
		2016 %	2015 %
Tinybeans Pty Ltd	Australia	100	100
Tinybeans Innovations Pty Ltd	Australia	100	100
Tinybeans US Ltd	United States of America	100	100

## 12 Reserves

### Share option reserve

The group issued a number of share options to various consultants since the inception of the group. Options vest over various periods and are subject to meeting specified performance criteria. The options are issued for no consideration and carry no entitlements to voting rights or dividends of the group.

A summary of the movements of all options issued is as follows:

	Number of options	Total value of options \$
Options outstanding as at 1 July 2014	2,660	63,760
Granted	3,890	88,324
Options outstanding as at 30 June 2015	6,550	152,084
Granted	-	-
Options outstanding as at 30 June 2016	6,550	152,084

## 13 Events after the balance sheet date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

## 14 Company details

The registered office and principal place of business of the company is:

Level 2, 105-111  
Reservoir Street  
Surry Hills, NSW 2010

# Tinybeans Group Pty Ltd and Controlled Entities

## Directors' declaration

In accordance with a resolution of the directors of Tinybeans Group Pty Ltd and Controlled Entities, the directors have determined that the group is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the group declare that:

1. The financial statements and notes, as set out on pages 6 to 22:
  - a. comply with Australian Accounting Standards; and
  - b. give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Director            Eddie Geller

Dated:             Feb 9, 2017

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GPO Box 5138 Sydney NSW 2001

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[www.rsm.com.au](http://www.rsm.com.au)**INDEPENDENT AUDITOR'S REPORT****TO THE MEMBERS OF****TINYBEANS GROUP PTY LTD**

We have audited the accompanying financial report, being a special purpose financial report, of Tinybeans Group Pty Ltd, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report, and have determined that the basis of preparation described in Note 1, is appropriate to meet the requirements and the needs of the members. The director's responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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



### *Independence*

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

### *Opinion*

In our opinion, the financial report presents fairly, in all material respects, the financial position of Tinybeans Group Pty Ltd as of 30 June 2016 and its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

### *Basis of accounting*

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist Tinybeans Group Pty Ltd to meet the requirements of the members. As a result, the financial report may not be suitable for another purpose

*RSM*

**RSM AUSTRALIA**

*G N Sherwood*  
**G N Sherwood**  
Director

Sydney, NSW  
Dated: 9 February 2017