

Netccentric Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Netccentric Limited
ABN:	605927464
Reporting period:	For the year ended 31 December 2017 (unaudited)
Previous period:	For the year ended 31 December 2016

2. Results for announcement to the market

				S\$
Revenues from ordinary activities	down	6%	to	11,743,788
Loss from ordinary activities, net of tax attributable to the owners of Netccentric Limited	up	44%	to	(3,071,559)
Loss for the year attributable to the owners of Netccentric Limited	up	44%	to	(3,071,559)

Dividends

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

Comments

The group's revenue for the year ended 31 December 2017 was \$11.7 million (31 December 2016: \$12.5 million). The decrease in revenue was due to the prior year's one-off profit neutral partnership deal with Flexiroam Asia Limited accounting for \$1.5 million which at the same time contributed to \$1.5 million advertising expenses in Aroimakmak Pte Ltd (which has been disposed in the current year).

Without accounting for the one-off profit neutral partnership deal, revenue increased by 7%. This is despite the Group disposing all its interests in Ripplewerkz Private Ltd, Aroimakmak Pte Ltd and Nuffnang Australia Pty Ltd during the year.

The group's loss before tax totalled \$2.9 million (31 December 2016 loss before tax: \$5.6 million). The reduction in losses was primarily driven by operational optimisations and improved performances in the Group's focus areas.

3. Net tangible assets

	Reporting year Cents	Previous year Cents
Net tangible assets per ordinary security	2.13	3.26

4. Dividends

Current period

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

Previous period

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

5. Details of associates

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

N.M. – Not material to the group.

6. Control gained over entities

Name of entities	Date of control gained
Plata & Punta Sdn Bhd	5 July 2017
Dejitaru Sdn Bhd	29 September 2017

S\$'000

Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period

77

Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period

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7. Loss of control over entities

Name of entities	Date of control lost
Exteen Co., Ltd	4 January 2017
Ripplewerkz Private Limited	6 September 2017
Aroimakmak Pte Ltd	6 September 2017
Nuffnang Australia Pty Ltd	1 November 2017
Reelity TV Thailand Co., Ltd	18 August 2017

S\$'000

Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period

(698)

Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous period

(1,117)

8. Status of audit

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

Yours faithfully

A handwritten signature in black ink, appearing to read 'Martyn Thomas', written over a horizontal line.

Martyn Thomas
Chairman

Date: 26 February 2018

Netccentric Limited

(Incorporated in Singapore. Registration Number: 200612086W)

and its subsidiaries

ARBN 605927464

Preliminary financial statements for the year ended 31 December 2017

Netccentric Limited
Consolidated Statement of profit or loss and other comprehensive income
For the year ended 31 December 2017

	Note	Group 2017 \$	2016 \$
Revenue	2	11,743,788	12,491,578
Cost of sales		(6,677,995)	(4,628,035)
Gross profit		5,065,793	7,863,543
Interest income		6,132	164,501
Other gains		276,080	551,369
Finance costs		(25,062)	(27,875)
Administrative and operating expenses		(2,433,882)	(5,566,046)
Employee benefits expense		(5,190,776)	(7,642,773)
Other losses		(628,127)	(1,074,350)
Share of profit (loss) from equity-accounted associates		36,594	150,046
Loss before income tax		(2,893,248)	(5,581,585)
Income tax expense		(163,630)	(303,277)
Loss, net of tax		(3,056,878)	(5,884,862)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		(156,217)	4,212
Other comprehensive loss, net of tax		(156,217)	4,212
Total comprehensive loss		(3,213,095)	(5,880,650)
Loss for the year, net of tax attributable to:			
Owners of the parent		(3,071,559)	(5,506,708)
Non-controlling interests		14,681	(378,154)
Loss, net of tax		(3,056,878)	(5,884,862)
Total comprehensive loss for the year attributable to:			
Owners of the parent		(3,227,779)	(5,519,536)
Non-controlling interests		14,684	(361,114)
Total comprehensive loss		(3,213,095)	(5,880,650)
Loss per share		<u>Cents</u>	<u>Cents</u>
Basic and diluted loss per share	4	(1.17)	(2.10)

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

Netccentric Limited
Consolidated Statement of financial position
As at 31 December 2017

	Note	<u>Group</u> <u>2017</u> \$	<u>2016</u> \$
ASSETS			
<u>Non-current assets</u>			
Plant and equipment		309,723	331,354
Intangible assets		74,974	33,757
Investments in associates		158,425	151,439
Deferred tax assets		2,895	9,076
Total non-current assets		<u>546,017</u>	<u>525,626</u>
<u>Current assets</u>			
Trade and other receivables		2,703,054	3,356,585
Other assets		123,758	67,929
Cash and cash equivalents		5,218,143	7,605,552
Total current assets		<u>8,044,955</u>	<u>11,030,066</u>
Total assets		<u>8,590,972</u>	<u>11,555,692</u>
LIABILITIES			
<u>Non-current liabilities</u>			
Other financial liabilities		48,140	24,608
Total non-current liabilities		<u>48,140</u>	<u>24,608</u>
<u>Current liabilities</u>			
Income tax payable		149,854	53,602
Trade and other payables		2,714,782	2,941,070
Other financial liabilities		14,362	5,191
Other liabilities		59,623	480,844
Total current liabilities		<u>2,938,621</u>	<u>3,480,707</u>
Total liabilities		<u>2,986,761</u>	<u>3,505,315</u>
NET ASSETS		<u>5,604,211</u>	<u>8,050,377</u>
<u>EQUITY</u>			
Share capital	3	13,797,086	13,797,086
Accumulated losses		(8,403,161)	(5,331,602)
Share option reserve		228,000	228,000
Foreign currency translation reserves		(343,863)	(212,635)
Equity attributable to owners of the parent		<u>5,278,062</u>	<u>8,480,849</u>
Non-controlling interests		326,149	(430,472)
Total equity		<u>5,604,211</u>	<u>8,050,377</u>

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

Netccentric Limited
Consolidated Statement of changes in equity
For the year ended 31 December 2017

<u>Group:</u>	<u>Total equity</u> \$	<u>Attributable to parent Sub-total</u> \$	<u>Share capital</u> \$	<u>Retained earnings</u> \$	<u>Share option reserves</u> \$	<u>Foreign currency translation reserves</u> \$	<u>Non-controlling interests</u> \$
Current year:							
Balance at 1 January 2017	8,050,377	8,480,849	13,797,086	(5,331,602)	228,000	(212,635)	(430,472)
Movements in equity:							
Total comprehensive loss for the year	(3,213,095)	(3,227,779)	-	(3,071,559)	-	(156,220)	14,684
Disposal of subsidiaries with change in control	652,394	24,992	-	-	-	24,992	627,402
Acquisition of subsidiaries	114,535	-	-	-	-	-	114,535
Balance at 31 December 2017	5,604,211	5,278,062	13,797,086	(8,403,161)	228,000	(343,863)	326,149

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

Netccentric Limited
Statements of changes in equity
For the year ended 31 December 2017

<u>Group:</u>	<u>Total equity</u> \$	<u>Attributable to parent Sub-total</u> \$	<u>Share capital</u> \$	<u>Retained earnings</u> \$	<u>Share option reserves</u> \$	<u>Foreign currency translation reserves</u> \$	<u>Non-controlling interests</u> \$
Current year:							
Balance at 1 January 2016	13,492,441	13,860,495	13,571,077	261,225	228,000	(199,807)	(368,054)
Movements in equity:							
Total comprehensive loss for the year	(5,880,650)	(5,519,536)	-	(5,506,708)	-	(12,828)	(361,114)
Increase in contribution by non-controlling interests	264,025	-	-	-	-	-	264,025
Acquisition of non-controlling interests without a change in control	-	(86,119)	-	(86,119)	-	-	86,119
Adjustment to purchase consideration on acquisition of remaining interest in an associate ¹	226,009	226,009	226,009	-	-	-	-
Dividend paid	(51,448)	-	-	-	-	-	(51,448)
Balance at 31 December 2016	8,050,377	8,480,849	13,797,086	(5,331,602)	228,000	(212,635)	(430,472)

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

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

Netccentric Limited
Consolidated Statement of cash flows
For the year ended 31 December 2017

	2017	Group	2016
	\$		\$
<u>Cash flows from operating activities</u>			
Loss before income tax	(2,893,248)		(5,581,585)
Adjustments for:			
Impairment loss on goodwill	-		873,251
Amortization of intangible asset	11,253		16,880
Depreciation of property, plant and equipment	119,614		119,936
Loss on disposal of property, plant and equipment	29,983		3,926
Negative goodwill arising from acquisition of subsidiary	(6,063)		-
Loss on disposal of subsidiaries	451,443		-
Gain on disposal of associate	(7,794)		-
Share of profit from associates	(36,594)		(150,046)
Interest income	(6,132)		(164,501)
Interest expense	25,062		27,875
Operating cash flows before changes in working capital	(2,312,476)		(4,854,264)
Other assets	(55,829)		38,833
Trade and other receivables	653,531		55,643
Trade and other payables	(226,288)		(446,370)
Other liabilities	(412,050)		141,534
Net cash flows used in operations	(2,353,112)		(5,064,624)
Interest paid	(25,062)		(27,875)
Income tax paid	(42,584)		(286,494)
Net cash used in operating activities	<u>(2,420,758)</u>		<u>(5,378,993)</u>
<u>Cash flows from investing activities</u>			
Acquisition of subsidiaries, net of cash	107,720		-
Dividend from associate	26,056		60,773
Interest received	6,132		164,501
Purchase of property, plant and equipment	(127,599)		(184,453)
Disposals of subsidiaries	46,803		-
Increase in contribution by non-controlling interests	-		264,025
Net cash from investing activities	<u>59,112</u>		<u>304,846</u>
<u>Cash flows from financing activities</u>			
Dividend paid to non-controlling interest	-		(51,448)
Repayment of other financial liabilities	(11,254)		(5,782)
Movements in amounts due from related parties	1,149		(192,288)
Movements in amounts due from associates	5,890		22,473
Net cash used in financing activities	<u>(4,215)</u>		<u>(227,045)</u>
Net decrease in cash and cash equivalents	(2,365,861)		(5,301,192)
Cash and cash equivalents at the beginning of reporting year	7,605,552		12,901,717
Effects of currency translation on cash and cash equivalent	(21,548)		5,027
Cash and cash equivalents, statement of cash flows, ending balance	<u>5,218,143</u>		<u>7,605,552</u>

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

Note 1. Significant accounting policies

Statement of Compliance

The Appendix 4E preliminary financial statements ("financial statements") for the year ended 31 December 2017 have been prepared in accordance with ASX listing rules and the recognition and measurement criteria of the Singapore Financial Reporting Standards ("FRS") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council.

Basis of preparation

The financial statements have been prepared on applicable going concern basis under the historical cost convention except where a FRS requires an alternative treatment (such as fair values). The accounting policies and methods of computation adopted in the preparation of the preliminary financial statements are consistent with those adopted and disclosed in the consolidated entity's half yearly financial statements as at 30 June 2017.

The financial statements are presented in Singapore dollars.

Note 2. Segment Reporting

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

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

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

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

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

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

Note 2. Segment Reporting (cont'd)

Business Units

	<u>2017</u>	<u>2016</u>
	\$	\$
Influencer Platform	8,048,098	9,279,455
Display Ad Network	29,982	149,677
Digital Asset Production	1,190,483	1,161,515
Social Media Agency	2,213,231	1,818,280
Performance Marketing Agency	219,810	-
Others	42,184	82,651
Total	<u>11,743,788</u>	<u>12,491,578</u>

Country

Singapore	2,448,061	4,700,381
Malaysia	4,303,036	4,876,646
Australia	1,368,808	1,185,412
Thailand	1,458,412	1,162,024
China	740,458	298,258
United Kingdom	28,831	103,122
Taiwan	1,132,865	165,735
Indonesia	263,317	-
Total	<u>11,743,788</u>	<u>12,491,578</u>

Note 3. Share Capital

<u>Group and company</u>	<u>Number of shares issued</u>	<u>Share capital \$</u>
<u>Ordinary shares:</u>		
Balance at 1 January 2017 and 31 December 2017	<u>262,500,000</u>	<u>13,797,086</u>

Note 4. (Loss) per share

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

	<u>2017</u>	<u>2016</u>
	\$	\$
A. Numerator: (loss) attributable to equity:		
Continuing operations:		
Total basic and diluted (loss) attributable to owners of the parent	<u>(3,071,559)</u>	<u>(5,506,708)</u>
B. Denominator: weighted average number of equity shares		
Basic and diluted	<u>262,500,000</u>	<u>262,500,000</u>

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

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

Note 5. Events after the reporting year

Subsequent to the end of the financial year, a subsidiary of the group, Nuffnang UK Ltd, has been struck off on 30 January 2018. Aside from this, no other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the financial position of the group.