

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 2018 (unaudited)
Previous period:	For the year ended 31 December 2017

2. Results for announcement to the market

				S\$
Revenues from ordinary activities	down	25%	to	8,791,884
Loss from ordinary activities, net of tax attributable to the owners of Netccentric Limited	down	56%	to	(1,340,604)
Loss for the year attributable to the owners of Netccentric Limited	down	56%	to	(1,340,604)

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 2018 was \$8.8 million (31 December 2017: \$11.7 million). The decrease in revenue of 25% was due to the disposal of unprofitable units which accounted for \$2.7 million in 2017 as well as the down-sizing of the Singapore operations in 2018.

The Group's loss after tax totalled \$1.1 million (31 December 2017 loss after tax: \$3.1 million). The reduction in losses was primarily driven by further disposals of unprofitable business units and at the same time, fueled by growth in the profitable ones. The loss was also partly due to a one-off loss on disposal of our United Kingdom entity of \$0.1 million as well as legal fees of approximately \$0.3 million (where some of it will be recovered by insurance in due course).

3. Net tangible assets

	Reporting year Cents	Previous year Cents
Net tangible assets per ordinary security	<u>1.77</u>	<u>2.13</u>

4. Dividends

Current period

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

Previous period

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

5. Details of associate

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

N.M. – Not material to the group.

6. Loss of control over entity

Name of entity	Date of control lost
Nuffnang Ltd	30 January 2018

S\$'000

Contribution of such entity to the reporting entity's loss from ordinary activities before income tax during the period

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Loss from ordinary activities before income tax of the controlled entity whilst controlled during the whole of the previous period

(13)

7. Status of audit

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

Yours faithfully



Angeline Chiam
Interim Chief Executive Officer/
Regional Finance Director

Date: 27 February 2019

Netccentric Limited

(Incorporated in Singapore. Registration Number: 200612086W)

and its subsidiaries

ARBN 605927464

Preliminary financial statements for the year ended 31 December 2018

Netccentric Limited
Consolidated Statement of profit or loss and other comprehensive income
For the year ended 31 December 2018

	Note	Group 2018 \$	2017 \$
Revenue	2	8,791,884	11,743,788
Cost of sales		(4,735,752)	(6,677,995)
Gross profit		4,056,132	5,065,793
Interest income		53,189	73,697
Other gains		198,146	198,118
Finance costs		(14,177)	(33,288)
Administrative and operating expenses		(1,328,798)	(2,403,709)
Employee benefits expense		(3,594,897)	(5,190,776)
Other losses		(255,079)	(629,075)
Share of (loss)/profit from equity-accounted associates		(42,168)	36,594
Loss before income tax		(927,652)	(2,882,646)
Income tax expense		(122,588)	(166,728)
Loss, net of tax		(1,050,240)	(3,049,374)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		(65,688)	(156,228)
Other comprehensive loss, net of tax		(65,688)	(156,228)
Total comprehensive loss		(1,115,928)	(3,205,602)
Loss for the year, net of tax attributable to:			
Owners of the parent		(1,340,604)	(3,062,816)
Non-controlling interests		290,364	13,442
Loss, net of tax		(1,050,240)	(3,049,374)
Total comprehensive loss for the year attributable to:			
Owners of the parent		(1,406,290)	(3,219,079)
Non-controlling interests		290,362	13,477
Total comprehensive loss		(1,115,928)	(3,205,602)
Loss per share		<u>Cents</u>	<u>Cents</u>
Basic and diluted loss per share	4	(0.51)	(1.17)

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 2018

	Note	<u>Group</u> <u>2018</u> \$	<u>2017</u> \$
ASSETS			
<u>Non-current assets</u>			
Plant and equipment		247,185	309,707
Intangible assets		74,974	74,974
Investments in associates		83,461	158,425
Deferred tax assets		-	2,895
Total non-current assets		<u>405,620</u>	<u>546,001</u>
<u>Current assets</u>			
Trade and other receivables		2,480,113	2,768,587
Other assets		156,068	128,783
Cash and cash equivalents		3,747,554	5,218,143
Total current assets		<u>6,383,735</u>	<u>8,115,513</u>
Total assets		<u>6,789,355</u>	<u>8,661,514</u>
LIABILITIES			
<u>Non-current liabilities</u>			
Deferred tax liabilities		503	-
Other financial liabilities		25,642	46,619
Total non-current liabilities		<u>26,145</u>	<u>46,619</u>
<u>Current liabilities</u>			
Income tax payable		32,792	193,026
Trade and other payables		1,908,308	2,736,033
Other financial liabilities		22,614	13,266
Other liabilities		69,435	59,623
Total current liabilities		<u>2,033,149</u>	<u>3,001,948</u>
Total liabilities		<u>2,059,294</u>	<u>3,048,567</u>
NET ASSETS		<u>4,730,061</u>	<u>5,612,947</u>
<u>EQUITY</u>			
Share capital	3	13,797,086	13,797,086
Accumulated losses		(9,616,816)	(8,394,418)
Share option reserve		228,000	228,000
Foreign currency translation reserves		(417,892)	(343,908)
Equity attributable to owners of the parent		<u>3,990,378</u>	<u>5,286,760</u>
Non-controlling interests		739,683	326,187
Total equity		<u>4,730,061</u>	<u>5,612,947</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 2018

<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 2018	5,612,947	5,286,760	13,797,086	(8,394,418)	228,000	(343,908)	326,187
Movements in equity:							
Total comprehensive loss for the year	(1,115,928)	(1,406,290)	-	(1,340,604)	-	(65,686)	290,362
Disposal of subsidiaries with change in control	135,104	-	-	-	-	-	135,104
Acquisition of a non-controlling interest without a change of control	297,131	109,908	-	118,206	-	(8,298)	187,223
Dividend paid to non-controlling interests	(199,193)	-	-	-	-	-	(199,193)
Balance at 31 December 2018	4,730,061	3,990,378	13,797,086	(9,616,816)	228,000	(417,892)	739,683

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 2018

<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> \$
Previous 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	(3,205,602)	(3,219,079)	-	(3,062,816)	-	(156,263)	13,477
Disposal of subsidiaries with change in control	652,395	24,990	-	-	-	24,990	627,405
Acquisition of subsidiaries	115,777	-	-	-	-	-	115,777
Balance at 31 December 2017	<u><u>5,612,947</u></u>	<u><u>5,286,760</u></u>	<u><u>13,797,086</u></u>	<u><u>(8,394,418)</u></u>	<u><u>228,000</u></u>	<u><u>(343,908)</u></u>	<u><u>326,187</u></u>

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

Netccentric Limited
Notes to the financial statements
31 December 2018

	Group	
	<u>2018</u>	<u>2017</u>
	\$	\$
<u>Cash flows from operating activities</u>		
Loss before income tax	(927,652)	(2,882,646)
Adjustments for:		
Amortisation of intangible asset	-	11,253
Depreciation of plant and equipment	121,996	119,571
Loss on disposal of plant and equipment	17,561	29,983
Negative goodwill arising from acquisition of subsidiary	-	(7,360)
Loss on strike off of a subsidiary	135,104	451,443
Gain on disposal of associate	-	(7,794)
Share of loss/(profit) from associates	42,168	(36,594)
Interest income	(53,189)	(73,697)
Interest expense	14,177	33,288
Operating cash flows before changes in working capital	(649,835)	(2,362,553)
Other assets	(27,285)	(60,854)
Trade and other receivables	311,691	587,998
Trade and other payables	(284,655)	285,826
Other liabilities	9,812	(420,610)
Net cash flows used in operations	(640,272)	(1,970,193)
Interest paid	(14,177)	(33,288)
Income tax paid	(279,424)	(38,982)
Net cash used in operating activities	<u>(933,873)</u>	<u>(2,042,463)</u>
<u>Cash flows from investing activities</u>		
Acquisition of subsidiaries, net of cash	-	102,003
Dividend from associate	32,796	26,056
Interest received	53,189	73,697
Purchase of property, plant and equipment	(77,035)	(122,437)
Disposals of subsidiaries	-	(119,077)
Net cash from/(used in) investing activities	<u>8,950</u>	<u>(39,758)</u>
<u>Cash flows from financing activities</u>		
Dividend paid to non-controlling interests	(199,193)	-
Repayment of other financial liabilities	(11,629)	(11,254)
Movements in amounts due to director	-	(367,341)
Movements in amounts due to shareholder	(245,939)	9,541
Movements in amounts due from related parties	-	61,392
Movements in amounts due from associates	-	41,112
Net cash used in financing activities	<u>(456,761)</u>	<u>(266,550)</u>
<u>Net decrease in cash and cash equivalents</u>	(1,381,684)	(2,348,771)
Cash and cash equivalents at the beginning of reporting year	5,218,143	7,605,552
Effects of currency translation on cash and cash equivalent	(88,905)	(38,638)
Cash and cash equivalents, statement of cash flows, ending balance	<u>3,747,554</u>	<u>5,218,143</u>

Note 1. Significant accounting policies

Statement of Compliance

The Appendix 4E preliminary financial statements ("financial statements") for the year ended 31 December 2018 have been prepared in accordance with ASX listing rules and the recognition and measurement criteria of the Singapore Financial Reporting Standards ("SFRS") and the related Interpretations to SFRS ("INT SFRS") 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 2018.

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.

Netccentric Limited
Notes to the financial statements
31 December 2018

Note 2. Segment Reporting (cont'd)

Business Units

	<u>2018</u>	<u>2017</u>
	\$	\$
Influencer Platform	5,399,210	8,048,098
Display Ad Network	19,707	29,982
Digital Asset Production	407,680	1,190,483
Social Media Agency	2,036,655	2,213,231
Performance Marketing Agency	749,076	219,810
Others	179,556	42,184
Total	<u>8,791,884</u>	<u>11,743,788</u>

Country

Malaysia	4,914,513	4,303,036
Taiwan	1,462,547	1,132,865
Singapore	1,054,088	2,448,061
Thailand	933,868	1,458,412
Indonesia	426,868	263,317
Australia	-	1,368,808
China	-	740,458
United Kingdom	-	28,831
Total	<u>8,791,884</u>	<u>11,743,788</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 2018 and 31 December 2018	<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>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
A. Numerator: loss attributable to equity:		
Continuing operations:		
Total basic and diluted loss attributable to owners of the parent	<u>(1,340,604)</u>	<u>(3,062,816)</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.