

ASX PRELIMINARY FINAL REPORT

migme Limited

ABN 43 059 457 279

31 December 2014

Lodged with the ASX under Listing Rule 4.3A

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migme Limited

Year ended 31 December 2014

(Previous corresponding period being the year ended 31 December 2013)

Results for announcement to the market

	FY14 \$	FY13 \$		Change %
Revenue (Appendix 4E item 2.1)	1,948,759	2,939,894	Down	34%
Loss for the year after tax (Appendix 4E item 2.2)	(28,628,579)	(4,658,356)	Up	515%
Loss for the period attributable to members (Appendix 4E item 2.3)	(28,628,579)	(4,658,356)	Up	515%
Dividends (Appendix 4E item 2.4)	-	-	-	-
Basic loss per share (cents per share)	(0.20)	(0.11)	Up	82%
Diluted loss per share (cents per share)	(0.19)	(0.11)	Up	73%
Net tangible assets per share	0.02	(0.11)	Up	N/A

Explanation of revenue (Appendix 4E item 2.6)

Revenues for migme Limited totalled \$1.9M for 2014 as compared to the former mig33 company which had revenues of \$2.9M in 2013. Coming out of the merger in 2014, we set our focus on market and operations expansion activities which would directly contribute to growth in users and engagement. The growth targets achieved in 2014 create a pathway for monetisation and revenue growth in 2015.

Explanation of loss for the year after tax (Appendix 4E item 2.6)

Basis of preparation

On 5 August 2014, migme Limited, formerly Latin Gold Limited (the Legal Parent and Legal Acquirer), completed a merger with the acquisition of Project Goth, Inc. and subsidiaries (Project Goth, Inc. and the Legal Acquiree) through the issue of 147,001,367 shares in migme Limited.

In accordance with "AASB 3: Business Combinations" (AASB 3), the merger was recorded under the reverse acquisition principals which resulted in the legal parent being accounted for as the subsidiary, while the Legal Acquiree being accounted for as the parent. The basis for the application of the reverse acquisition principals under AASB 3 included the following key factors:

- migme Limited had no substantive business revenues or operating expenses and was deemed for accounting purposes not to be a business as at the time of the merger; and
- the result of the merger left the former shareholders of Project Goth, Inc. and Subsidiaries, with substantive control of migme Limited.

Under the reverse acquisition principals, the consideration provided by Project Goth, Inc. was determined to be \$12,926,115, which was the fair value of the 64,630,647 shares owned by the former Latin Gold Limited shareholders at the completion of the merger.

The excess of fair value of the shares owned by the former Latin Gold Limited shareholders and the fair value of the identifiable net assets of migme Limited immediately prior to the completion of the merger is accounted for in reference to "AASB 2: Share-based payment" and resulted in the recognition of \$10,841,177 being recorded as a "Corporate Transaction Accounting Expense."

The net assets of Project Goth, Inc. were recorded at fair value at the completion of the merger. There were no adjustments required to the historical book values.

As a result of the merger, the loss for the migme Limited group included the following:

For the year ended 31 December 2014

- Project Goth Inc's loss for the period 1 January 2014 to 31 December 2014; and
- migme Limited's (formerly Latin Gold Limited) loss for the period 5 August 2014 (being the date of acquisition) to 31 December 2014.

For the year ended 31 December 2013

- Project Goth Inc's loss for the period 1 January 2013 to 31 December 201.

Loss for the year after income tax expense

The loss for the year after income tax expense increased to \$28.6 million, from \$4.66 million (2013) and comprised of the following:

	FY14	FY13	Variance
	\$	\$	\$
<u>Operational Activities</u>			
Revenue	1,948,759	2,939,894	(991,135)
Infrastructure expenses	(605,467)	(489,514)	(115,953)
Marketing expenses	(751,006)	(185,739)	(565,267)
Gross profit	592,286	2,264,641	(1,672,355)
Employee benefits expenses	(6,240,989)	(4,224,122)	(2,016,867)
Operating expenses – non merger related	(3,405,166)	(2,457,261)	(947,905)
Loss before income tax expense	(9,053,869)	(4,416,742)	(4,637,127)
<u>Merger Related Expenses</u>			
Share-based payment – merger related	(2,861,878)	-	(2,861,878)
Loss on convertible notes purchase	(738,703)	-	(738,703)
Corporate transaction accounting expense	(10,841,177)	-	(10,841,177)
Operating expenses – merger related	(1,006,435)	-	(1,006,435)
Total merger related expenses	(15,448,193)	-	(15,448,193)
<u>Other Income/Expenses</u>			
Share-based payment – non merger related	(3,837,021)	(162,623)	(3,674,398)
Goodwill impairment	(876,900)	-	(876,900)
Available for sale securities impairment	(123,351)	-	(123,351)
Other Income	4,138	12,037	(7,899)
Realised and unrealised foreign exchange gains/(losses)	738,365	(34,800)	773,165
Total other expenses	(4,094,769)	(185,386)	(3,909,383)
Income tax expense	(31,748)	(56,228)	24,480
Loss after income tax expense	(28,628,579)	(4,658,356)	(23,970,223)

Operational activities

Comments on key variances are as follows:

- Infrastructure expenses increased in 2014 due to the upgrading of infrastructure to support the growth in user base;
- Marketing expenses increased in 2014 to drive brand awareness in our target markets and support the growth in user base;
- Employee benefits expenses increased in 2014 due to the expansion in our human capital across the markets we are operating in. migme Limited now has human capital presence in Singapore, Malaysia, India, Nepal, Indonesia and Taiwan. The company's headcount increased to 152 as of 31 December 2014, from 91 as of 31 December 2013; and

- Operating expenses (non merger related) increased in 2014 due to the expansion into the target markets. Notable variances included:
 - Occupancy and related overhead costs increased to \$1.4M in 2014, from \$1.1M in 2013 commensurate with the expansion of headcount and offices;
 - Travel expenses increased to \$792k in 2014 from \$155k in 2013, primarily due to merger, listing and compliance related work, expansion of offices, operations and corporate development deals in Taiwan, Indonesia and India;
 - Accounting, audit, taxation and legal expenses decreased to \$253k in 2014, from \$650k in 2013. The 2013 expenses include over \$200k in legal and advisory fees towards a previously contemplated initial public offering in Singapore, which was subsequently replaced with the merger and listing of migme Limited; and
 - One-time hiring costs increased to \$338k in 2014, from \$138k in 2013, due to the expansion of the headcount.

Merger related expenses

Comments on key variances are as follows:

- Non-cash share-based payments expense was due to shares issued as part of the costs of the merger;
- Refer to note 19 for explanation of the loss on convertible notes and corporate transaction accounting expense; and
- Merger related costs included legal and accounting fees for the merger transaction.

Other income/expenses

Comments on key variances are as follows:

- Non-cash share-based payment expense of \$3.8M related to the issuance of employee options in 2014;
- Non-cash goodwill impairment of \$877k related to the acquisition of the AlivenotDead and LoveBytes Pte Ltd;
- Non-cash impairment of \$123k for available for sales securities; and
- Net foreign exchange gain of \$738k, of which \$64k was a realised loss.

The company's overall net loss increased to \$28.6M in 2014, from \$4.7M in 2013, due primarily to merger, placement and listing related expense and expansion costs. This included a conservative write down of all goodwill related assets in their entirety.

The company ended the 2014 financial year, having successfully prioritising growth in user numbers and engagement. The momentum achieved in 2014 has created opportunities for revenue and sales expansion in 2015.

Explanation of loss for the period attributable to members (*Appendix 4E item 2.6*)

Please refer to the above and attached market announcement.

Explanation of dividends (*Appendix 4E item 2.6*)

No dividends were declared or paid for the years ended 31 December 2014 and 31 December 2013.

Preliminary consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2014

	Notes	Consolidated	
		2014	2013
		\$	\$
Revenue	2	1,948,759	2,939,894
Infrastructure expenses	2	(605,467)	(489,514)
Marketing expenses		(751,006)	(185,739)
Gross profit		592,286	2,264,641
Other income		4,138	12,037
Employee benefits expenses	2	(6,240,989)	(4,224,122)
Operating expenses	2	(4,411,601)	(2,457,261)
Realised and unrealised foreign exchange gains/(losses)		738,365	(34,800)
Share-based payment expenses	14	(6,698,899)	(162,623)
Goodwill impairment	19	(876,900)	-
Impairment on available for sale securities		(123,351)	-
Loss on convertible notes purchase	19	(738,703)	-
Corporate transaction accounting expense	19	(10,841,177)	-
Loss before tax		(28,596,831)	(4,602,128)
Income tax expense	3	(31,748)	(56,228)
Loss for the year		(28,628,579)	(4,658,356)
Other comprehensive income			
Items that will never be reclassified to profit or loss		-	-
Items that are or may be reclassified to profit or loss			
Foreign currency translation		918,646	(417,760)
Other comprehensive income, net of tax		918,646	(417,760)
Total comprehensive loss		(27,709,933)	(5,076,116)
Loss attributable to owners of the company		(28,628,579)	(4,658,356)
Total comprehensive loss attributable to owners of the company		(27,709,933)	(5,076,116)
Loss per share (cents per share)			
Basic loss per share		(0.20)	(0.11)
Diluted loss per share		(0.19)	(0.11)

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

Preliminary consolidated statement of financial position

As at 31 December 2014

		Consolidated	
	Note	2014 \$	2013 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	5,926,090	374,169
Prepayments		120,688	33,071
Other assets	5	492,356	51,148
Total current assets		6,539,134	458,388
Non-current assets			
Leasehold improvements and equipment	6	501,586	135,823
Other non-current assets	7	144,725	87,684
Total non-current assets		646,311	223,507
Total assets		7,185,445	681,895
LIABILITIES			
Current liabilities			
Trade and other payables	8	1,351,867	2,286,734
Provisions	9	181,478	72,580
Deferred revenue	10	71,575	151,623
Convertible notes	11	-	2,986,589
Deferred tax liability		-	3,672
Current tax (asset) liability	12	(12,145)	95,681
Total current liabilities		1,592,775	5,596,879
Total liabilities		1,592,775	5,596,879
Net assets		5,592,670	(4,914,984)
EQUITY			
Contributed equity		78,592,668	41,770,202
Reserves	13	8,206,994	5,893,227
Retained loss	15	(81,206,992)	(52,578,413)
Total equity		5,592,670	(4,914,984)

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

Preliminary consolidated statement of changes in equity

As at 31 December 2014

	Issued capital \$	Reserves \$	Accumulated losses \$	Total \$
Balance as at 1 January 2013	41,769,534	6,131,461	(47,920,057)	(19,062)
Loss for the year	-	-	(4,658,356)	(4,658,356)
Foreign currency translation movement	-	(417,760)	-	(417,760)
Total comprehensive loss for the year	-	(417,760)	(4,658,356)	(5,076,116)
Transactions with owners of the company				
Recognition of share based payments	-	179,526	-	179,526
Issue of share capital	668	-	-	668
Balance as at 31 December 2013	41,770,202	5,893,227	(52,578,413)	(4,914,984)
Loss for the year	-	-	(28,628,579)	(28,628,579)
Foreign currency translation movement	-	918,646	-	918,646
Total comprehensive loss for the year	-	918,648	(28,628,579)	(27,709,933)
Transactions with owners of the company				
Recognition of share based payments	-	1,395,121	-	1,395,121
Issue of share capital	36,822,466	-	-	36,822,466
Balance as at 31 December 2014	78,592,668	8,206,994	(81,206,992)	5,592,670

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

Preliminary consolidated statement of cash flows

For the year ended 31 December 2014

	Note	Consolidated 2014 \$	Consolidated 2013 \$
Cash flows from operating activities			
Receipts from customers		1,862,669	2,951,530
Payments to suppliers and employees		(12,936,490)	(5,527,924)
Income taxes paid		(143,246)	(15,705)
Net cash used in operating activities	4	(11,217,067)	(2,592,099)
Cash flows from investing activities			
Acquisition of leasehold improvement and equipment		(506,324)	(121,931)
Cash from acquisition of subsidiaries		9,746,108	-
Other investments		(402,405)	(29)
Net cash used in investing activities		8,837,379	(121,960)
Cash flows from financing activities			
Proceeds from issue of convertible notes		7,075,391	2,986,589
Proceeds from exercise of share options		11,404	668
Net cash from financial activities		7,086,795	2,987,257
Net increase in cash and cash equivalents		4,707,107	273,198
Cash and cash equivalents at 1 January		374,169	545,531
Effect of movements in exchange rates on cash held		844,814	(444,560)
Cash and cash equivalents at 31 December	4	5,926,090	374,169

The above preliminary consolidated statement of cash flows should be read in conjunction with the accompanying notes.

migme Limited

Supplementary Appendix 4E information

1. Statement of Significant Accounting Policies

On 5 August 2014, migme Limited, formerly Latin Gold Limited (the Legal Parent and Legal Acquirer), completed a merger with the acquisition of Project Goth, Inc. and subsidiaries (Project Goth, Inc. and the Legal Acquiree) through the issue of 147,001,367 shares in migme Limited.

In accordance with “AASB 3: Business Combination” (AASB 3), the merger was recorded under the reverse acquisition principals which resulted in the legal parent being accounted for as the subsidiary, while the Legal Acquiree, being accounted for as the parent. Under the reverse acquisition principals, the consideration provided by Project Goth, Inc. was determined to be \$12,926,115, which is the fair value of the 64,630,647 shares owned by the former Latin Gold Limited shareholders at the completion of the merger.

The excess of fair value of the shares owned by the former Latin Gold Limited, shareholders and the fair value of the identifiable net assets of migme Limited immediately prior to the completion of the merger is accounted for under “AASB: Share-based Payment” (AASB 2) and resulted in the recognition of \$10,841,177 being recorded as a “Corporate Transaction Accounting Expense.” The net assets of Project Goth Inc. were recorded at fair value at the completion of the merger. No adjustments were required to the historical book values.

The accounting for the acquisition resulted in an expense of \$10,841,177 being recognised on acquisition (refer to Note 19).

As Project Goth, Inc. is considered to be the parent of migme Limited for accounting purposes, the consolidated financial statements represents the financial statements of Project Goth Inc. with the exception of the capital structure. The amount recognised as equity instruments in these consolidated statements represents the issued equity interest of migme Limited adjusted to reflect the equity issued by migme Limited on acquisition. Refer to note 14 on issued capital and note 19 on the accounting for the acquisition.

Following the completion of the merger, migme Limited changed its financial year end from 30 June to 31 December.

(a) New standards effective from 1 January 2014

migme Limited has adopted the following new and revised Accounting Standards issued by the AASB that are relevant to its operations.

Reference	Title	Application of date of Standard	Application date for Group
AASB 1031	Materiality The revised AASB 1031 is an interim standard that cross-reference to other Standards and the framework (issued December 2013) that contain guidance on materiality	1 January 2014	1 January 2014
AASB 2011-4	Amendments to Australian Accounting Standards to remove individual key management personnel disclosure requirements Disclosure requirements regarding key management personnel should be removed from AASB 124 "Related Party Disclosures".	1 January 2014	1 January 2014

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of migme Limited and its subsidiaries as at 31 December 2014. Control is achieved when migme Limited 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, migme Limited controls an investee if an only if migme Limited has the power over the investee, the exposure, or rights, to variable returns from its involvement with the investee, and has the ability to use its power over the investee to affect its returns.

When migme Limited has less than a majority of the voting or similar rights of an investee, migme Limited 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 migme Limited's voting rights and potential voting rights.

migme Limited 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 migme Limited obtains control over the subsidiary and ceases when migme Limited 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 or loss and other comprehensive income from the date migme Limited gains control until the date migme Limited ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of migme Limited and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with migme Limited's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of migme Limited are eliminated in full on consolidation.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting except for the acquisition of Project Goth, Inc. which was accounted for using the principles of AASB 2. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values. The difference between these items and their fair value of the consideration (including their fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a merger is, from the acquisition date is allocated to each of migme Limited's cash generating units that are expected to benefit from the combination, irrespective of whether assets or liabilities of the acquiree are assigned to those units.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If migme Limited loses control over a subsidiary, it de-recognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest, the cumulative translation differences recorded in equity, recognises the fair value of the consideration received, the fair value of any investment retained, any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if migme Limited had directly disposed of the related assets or liabilities.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to migme Limited 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, if any, and excluding taxes or duty.

Revenue from the sale of virtual products and games are recognised upon completion of delivery of the virtual products and game access, respectively to the customers. Revenue is measured at the fair value of the consideration received or receivable and recognised when prescribed conditions are met.

Interest revenue is recognised on a time proportion basis that takes into account the effective yield on the financial asset.

(c) Significant accounting judgements, estimates and assumptions

The preparation of migme Limited's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The key estimates and assumptions that have a

significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities are described below.

Taxation

migme Limited's accounting policy for taxation requires management's judgement in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows.

Judgements are also required about the application of income tax legislation in respect of the availability of carry forward tax losses. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised in the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income in future periods.

Share based payments

Accounting judgements, estimates and assumptions in relation to share based payments are discussed in note 14.

(d) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to migme Limited substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit and loss. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty that migme Limited will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income. Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives are recognised when they are received and amortised over the life of the lease.

(e) Cash and cash equivalents

Cash in the statement of financial position comprise cash at bank and on hand. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(f) Other receivables

Other receivables recognised as current assets are due for settlement within no more than one year. Recoverability of trade and other receivables is reviewed on an ongoing basis. Debt which are known to be uncollectible are written off.

(g) Income tax

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a merger, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a merger and that affects neither accounting nor taxable profit or loss;
- temporary differences related on investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- tax benefits acquired as part of a merger, but not satisfying the criteria for separate recognition, would be subsequently recognised if new information about facts and circumstances changed. The adjustment would be either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement of or in the profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted as the reporting date.

In determining the amount of current and deferred tax migme Limited takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. migme Limited believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes migme Limited to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised.

Tax consolidation legislation

migme Limited is not consolidated for income tax purposes.

(h) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the
- taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(i) Leasehold improvements and equipment

Leasehold improvements and equipment is stated at cost less accumulated amortisation and depreciation. Amortisation and depreciation is calculated over the estimated useful life of the assets as follows:

	Useful life	Method
Furniture and fittings	5 years	Straight line method
Computer and office equipment	2 to 3 years	Straight line method
Leasehold improvements	Lease period	Straight line method

An item of leasehold improvements and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

(j) Fair value measurement

migme Limited measures financial instruments and non-financial assets at fair value at each balance sheet date. Also, fair values of financial instruments are measured at the amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to migme Limited. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

migme Limited uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure their fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, migme Limited determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(k) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a merger is measured at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are either reviewed at the end of each reporting period or amortised over the life of the asset. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate.

Amortisation is calculated using the estimated useful life of the asset as follows:

	Useful life	Method
Goodwill	Indefinite	Not applicable

The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed at each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is made on a prospective basis.

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when migme Limited can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete, its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation of the asset begins when development is complete and the asset is available for use. Any expenditure so capitalised is amortised over the period of expected benefit from the related asset.

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Subsequently goodwill is measured at cost, and is tested for impairment annually. For the purpose of impairment testing, goodwill acquired in a merger is, from the acquisition date, allocated to each of migme Limited's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill form parts of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill

disposed of in this circumstance is measured on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(l) Investments

Investments in controlled entities are carried at the lower of cost and recoverable amount.

(m) Impairment of assets

migme Limited monitors throughout the year to see whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, migme Limited makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and 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 and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit 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 discount rate that reflects current market assessments of the time value of money and the risks specified to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

As assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased, except in relation to goodwill. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in the statement of comprehensive income.

After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(n) Trade payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to migme Limited prior to the end of the reporting period that are unpaid and arise when migme Limited becomes obliged to make future payments in respect of the purchase of these goods and services.

(o) Provisions

Provisions are recognised when migme Limited has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where migme Limited expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(p) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits are measured at their nominal amounts.

Employee benefits expense and revenues arising in respect of wages and salaries, non-monetary benefits, annual leave, long service leave and other leave benefits; and other types of employee benefits; are recognised against profits on a net basis in their respective categories.

(q) Share-based payments

migme Limited provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

During the year there was an employee share option plan (ESOP) in place. The cost of share-based payments have been measured according to AASB 2: "Share-based payments" accounting standard.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model. That cost is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and migme Limited's best estimate of the number of equity instruments that will ultimately vest. The statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions, for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(r) Comparative balances

Accounting policies adopted are consistent with those of the previous year. Where revenue and expenses have been reallocated between departments or within revenue and expense lines, the comparatives for the previous year and if applicable corresponding balance sheet movement have been reallocated to assist comparability between years.

(s) 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.

(t) Earnings/loss per share

Basic earnings/loss per share

Basic earnings/loss per share is calculated as new profit/loss 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 outstanding during the financial year.

Diluted earnings/loss per share

Diluted earnings/loss per share adjusts the figures used in the determination of basic earnings/loss per share to take into account the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2. Revenue and expenses

	Consolidated	
	2014	2013
	\$	\$
Revenue		
Sale of virtual goods and games	1,948,759	2,939,894
Infrastructure expenses		
Server, subscriptions and revenue sharing expenses	(605,467)	(489,514)
Employee benefits expense		
Remuneration, bonuses, on-costs and amounts provided for benefits	(6,240,989)	(4,224,122)
Operating expenses		
Expenses include the following:		
Occupancy and related overhead expenses	(1,409,788)	(1,103,697)
Travel related expenses	(792,204)	(155,346)
Audit, accounting, taxation and legal expenses	(253,390)	(649,858)
Software development and maintenance expenses	(544,178)	(409,590)
Corporate, secretarial and registry expenses	(67,282)	-
Hiring expenses	(338,324)	(138,770)
Merger related expenses	(1,006,435)	-

3. Income tax

	Consolidated	
	2014	2013
	\$	\$
Current income tax		
Current income tax expense	-	56,228
Adjustment in respect of current income tax of previous years	31,748	-
Deferred income tax	-	-
Income tax reported in income statement	31,748	56,228
A reconciliation of income tax expense/(benefit) applicable to account profit before income tax at the statutory income tax rate is as follows:		
Accounting loss before income tax	(28,596,831)	(4,602,128)
Statutory income tax rate of 30%	(8,579,049)	(1,380,638)
Tax effect of amounts not deductible/assessable in calculating income		
Share-based payments	2,009,670	48,787
Provisions and accruals	160,581	50,937
Unrealised foreign exchange	(240,739)	(6,421)
Other non-deductible / non-assessable items	273,370	(18,676)
Impairment of non-deductible items arising from reverse acquisition	3,515,423	-
Effect of lower overseas tax rates	741,360	19,598
Deferred tax balances not recognised	2,151,132	1,342,641
Total income tax expense	31,748	56,228
The following deferred tax balances have not been recognised:		
Deferred tax assets relate to the following:		
Tax losses carried forward - Australia	2,382,006	2,280,228
Tax losses carried forward - Overseas	13,684,613	10,614,496
Provisions and accruals	144,415	50,937
Other	4,590	-
Total deferred tax assets	16,215,624	12,945,661
Deferred tax liabilities relate to the following:		
Unrealised foreign exchange	662,450	6,420
Total deferred tax liabilities	662,450	6,420

The tax benefits of the above deferred tax assets will only be obtained if:

- the consolidated group derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- the consolidated group complies with the conditions for deductibility imposed by law; and
- no changes in income tax legislation adversely affect the consolidated group in utilising the benefits.

No deferred tax assets or liabilities have been recognised as at 31 December 2014.

4. Cash and cash equivalents

a) Reconciliation of cash

	Consolidated	
	2014	2013
	\$	\$
Cash at bank and on hand	5,834,526	298,321
Cash at financial payment institutions	91,564	75,848

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates.

b) Reconciliation of profit after tax to net cash flows from operating activities

	Consolidated	
	2014	2013
	\$	\$
Reconciliation of profit after tax to net cash flows from operating activities		
Net loss after tax	(28,628, 579)	(4,658,356)
Adjustments for non-cash income and expense items:		
Depreciation and amortisation	124,681	181,927
Write off of property, plant & equipment	1,591	-
Share based payments	6,698,899	162,623
Goodwill write off on acquisition	876,900	-
Impairment of investments	123,351	-
Corporate transaction accounting expense	10,841,177	-
Unrealised exchange (gain)/losses	(802,465)	32,594
Loss on purchase of convertible notes	738,703	-
Changes in net assets and liabilities:		
(Increase)/decrease in prepayments	(87,617)	58,668
(Increase)/decrease in other assets	(6,341)	(41,506)
(Increase)/decrease other non-current assets	(22,657)	10,573
Increase/(decrease) in trade and other payables	(992,062)	1,657,185
Increase/(decrease) in provisions	108,898	(55,916)
Increase/(decrease) in current tax liability	(111,498)	44,107
Increase/(decrease) in deferred revenue	(80,048)	16,002
Net cash flow (used in) operating activities	(11,217,067)	(2,592,099)

5. Other assets

	Consolidated	
	2014	2013
	\$	\$
Convertible notes receivable	434,867	-
Other assets	57,489	51,148
Total	492,356	51,148

6. Leasehold improvements and equipment

	Leasehold improvements	Office & computer equipment	Furniture, fixtures and fittings	Total
	\$	\$	\$	\$
As at 31 December 2014				
Cost	170,150	718,677	74,011	962,838
Accumulated depreciation	(85,486)	(333,676)	(42,090)	(461,252)
Net carrying amount	84,664	385,001	31,921	501,586
Net carrying amount at 1 January 2014	31,722	87,582	16,519	135,823
Additions	82,191	399,350	24,783	506,324
Disposals	-	(6,714)	-	(6,714)
Assets write off	(1,591)	-	-	(1,591)
Depreciation expense	(27,572)	(87,724)	(9,385)	(124,681)
Effect of exchange rate	(86)	(7,493)	4	(7,575)
Net carrying amount at 31 December 2014	84,664	385,001	31,921	501,586
As at 31 December 2013				
Cost	96,682	1,649,482	47,658	1,793,822
Accumulated depreciation	(64,960)	(1,561,900)	(31,139)	(1,657,999)
Net carrying amount	31,722	87,582	16,519	135,823
Net carrying amount at 1 January 2013	20,107	172,724	23,033	215,864
Additions	30,880	89,384	1,667	121,931
Disposals	-	-	-	-
Depreciation expense	(11,761)	(161,797)	(8,369)	(181,927)
Effect of exchange rate	(7,504)	(12,729)	188	(20,045)
Net carrying amount at 31 December 2013	31,722	87,582	16,519	135,823

7. Other non-current assets

	Consolidated	
	2014	2013
	\$	\$
Deposits for operating related expenses	110,341	87,684
Available for sale securities	34,384	-
Total	144,725	87,684

8. Trade and other payables

	Consolidated	
	2014 \$	2013 \$
Trade payables and accrued expenses	1,351,867	2,286,734

9. Provisions

	Consolidated	
	2014 \$	2013 \$
Employee benefits – annual leave	181,478	72,580

10. Deferred revenue

	Consolidated	
	2014 \$	2013 \$
Deferred revenue from sale of virtual products and games (i)	71,575	151,623

- (i) migme Limited users prepay for services on the migme platform. Revenue is only recognised upon completion of delivery of the virtual products and games to the customers. Revenue is measured at the fair value of the consideration received or receivable.

Deferred revenue balance represents unutilised balances purchased by migme users.

11. Convertible notes

	Consolidated	
	2014 \$	2013 \$
Convertible notes (i)	-	2,986,589

- (i) As part of the merger, the convertible notes were purchased from the note holders by migme Limited. The consideration paid was an issuance of migme Limited fully paid ordinary shares. Refer to note 19 for further details.

12. Current tax liability

	Consolidated	
	2014 \$	2013 \$
Current tax liability – owed to/(refund from) income tax authorities	(12,145)	95,681

13. Reserves

	Consolidated	
	2014 \$	2013 \$
Share options	3,868,685	2,999,583
Share equity	526,017	-
Share warrants	301,961	301,961
Foreign currency translation reserve	3,510,331	2,591,683
Total	8,206,994	5,893,227

14. Share-based payments

The recognised expense arising from equity settled share-based payment plans totalled \$6,698,899 for the year ended 31 December 2014.

Description of share-based payment plans

As part of the merger, migme Limited adopted the existing Employee Share Option Plan of Project Goth, Inc and converted those outstanding options into equivalent migme Limited options. The ESOP was designed to align participants' interests with those of shareholders.

Under the ESOP, the exercise price of the options was set at or above the market price of the shares on the date of grant. The typical vesting period for options granted was the equivalent of 4 years. The vesting conditions typically consisted of a 12 month cliff vesting period and subsequent monthly vesting will occur from month 13 onwards.

Measurement of fair values

The fair value of the share options at grant date are determined using a Black Scholes pricing method that takes into account the exercise price, the term of the option, the probability of exercise, the share price at grant date, expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option

Valuation of 7,500,000 share options granted on 19 June 2014

The following table lists the inputs to the model used for valuation of the unlisted options:

Item	Inputs
Volatility (%) (see below)	60%
Risk-free interest rate (%) – range	2.75%
Expected life of option (years)	3.13
Exercise price per terms & conditions	\$0.20
Underlying security spot price	\$0.20
Valuation date	19 June 2014
Expiry date	31 July 2017
Valuation per option	\$0.0429

Valuation of 7,583,941 share options granted on 15 October 2014

The following table lists the inputs to the model used for valuation of the unlisted options:

Item	Inputs
Volatility (%) (see below)	60%
Risk-free interest rate (%) – range	2.86%
Expected life of option (years)	5
Exercise price per terms & conditions	\$0.20
Underlying security spot price	\$0.32
Valuation date	15 October 2014
Expiry date	15 October 2019
Valuation per option	\$0.2065

Valuation of 399,947 share options granted on 16 October 2014

The following table lists the inputs to the model used for valuation of the unlisted options:

Item	Inputs
Volatility (%) (see below)	60%
Risk-free interest rate (%) – range	2.75%
Expected life of option (years)	5
Exercise price per terms & conditions	\$0.363
Underlying security spot price	\$0.330
Valuation date	16 October 2014
Expiry date	15 October 2019
Valuation per option	\$0.1677

Valuation of 600,000 share options granted on 27 November 2014

The following table lists the inputs to the model used for valuation of the unlisted options:

Item	Inputs
Volatility (%) (see below)	60%
Risk-free interest rate (%) – range	2.63%
Expected life of option (years)	5
Exercise price per terms & conditions	\$0.40
Underlying security spot price	\$0.39
Valuation date	27 November 2014
Expiry date	30 November 2019
Valuation per option	\$0.2046

Valuation of 2,600,000 share options granted on 23 December 2014

The following table lists the inputs to the model used for valuation of the unlisted options:

Item	Inputs
Volatility (%) (see below)	60%
Risk-free interest rate (%) – range	2.38%
Expected life of option (years)	4
Exercise price per terms & conditions	\$0.70
Underlying security spot price	\$0.69
Valuation date	23 December 2014
Expiry date	31 December 2018
Valuation per option	\$0.3277

Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period. The measure of volatility used in option pricing models is the annualised standard deviation of the continuously compounded rates of return on the share over a period of time. We do not consider historical volatility to be representative of their future volatility due to the significant change in the business of migme Limited.

Summary of options issued under ESOP

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	31 December 2014		31 December 2013 (Post conversion)		31 December 2013 (Pre conversion)	
	Number	WAEP	Number	WAEP	Number	WAEP
Outstanding at beginning of year	8,725,444	\$0.34	9,348,339	\$0.39	15,580,565	\$0.24
Granted	19,189,556	\$0.23	1,716,788	\$0.04	2,861,314	\$0.02
Forfeited	(1,626,795)	\$0.40	(2,319,055)	\$0.34	(3,865,092)	\$0.20
Exercised	(231,827)	\$0.04	(20,628)	\$0.04	(34,380)	\$0.02
Outstanding at end of year	26,056,378	\$0.26	8,725,444	\$0.34	14,542,407	\$0.20
Available for grant	2,216,988	N/A	N/A	N/A	N/A	N/A
Total options authorised	28,273,366	N/A	N/A	N/A	N/A	N/A
Less: shares held in independent trust	(10,189,479)	N/A	N/A	N/A	N/A	N/A
Net balance	18,083,887	N/A	N/A	N/A	N/A	N/A
Total options exercisable	6,629,553		3,862,737		6,437,895	

As part of the merger, of the 147,001,367 ordinary shares migme Limited issued in the transaction, 10,282,861 shares were issued to an independent trust for the purpose of fulfilling employee exercises of options. As of 31 December 2014, there are 10,189,479 available in the trust for future exercises of options.

Pre conversion reflects the pre 1 for 5 consolidation of migme Limited's ordinary and the merger between migme Limited and Project Goth, Inc.

15. Retained earnings (Appendix 4E item 6)

	Consolidated	
	2014 \$	2013 \$
Balance at beginning of year	(52,578,413)	(47,920,057)
Loss for the year	(28,628,579)	(4,658,356)
Balance at end of year	(81,206,992)	(52,578,413)

16. Net tangible asset backing (Appendix 4E item 9)

	2014 \$	2013 \$
Net tangible asset backing per ordinary share	0.02	(0.11)

17. Earnings per share (*Appendix 4E item 14.1*)

Basic earnings/(loss) per share is calculated as net profit/(loss) attributable to members of the parent by weighted average number of ordinary shares during the financial year.

Diluted earnings/(loss) per shares is calculated as above with an adjustment for the weighted number of ordinary shares that would be issued on conversion of all dilutive ordinary shares.

Basic and dilutive earnings/(loss) per share are calculated as follows:

	Consolidated	
	2014 \$	2013 \$
Profit/(loss) attributable to members of the Group	(28,628,579)	(4,658,356)
	Shares	Shares
Weighted average number of ordinary shares for basic earnings per share	143,003,832	43,465,020
Effect of dilution	6,316,645	-
Weighted number of ordinary shares adjusted for dilution	149,320,477	43,465,020
	Cents	Cents
Loss per share:		
Basic loss for the year attributable to members of the parent	(0.20)	(0.11)
Diluted loss for the year attributable to members of the parent	(0.19)	(0.11)

18. Segment reporting (*Appendix 4E item 14.4*)

Based on the information used for internal reporting purposes by the chief operating decision maker, being the Board and executive committee, at 31 December 2014, the group operated one reportable segment being the migme platform operations in Asia.

The reportable segment financial statements is the same as the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position.

19. Subsidiaries

The consolidated financial statements include the financial statements of migme Limited as the ultimate legal parent, and the subsidiaries listed in the following table:

Name of Subsidiary	Country of incorporation	Functional currency	Equity Interest	
			31 December 2014	31 December 2013
M3H Pte Ltd	Singapore	SGD	100%	0%
Mig33 Pte Ltd	Singapore	SGD	100%	0%
LoveBytes Pte Ltd	Singapore	SGD	100%	0%
Migme Taiwan Ltd	Taiwan	TWD	100%	0%
Project Goth Inc	USA	USD	100%	0%
Project Goth Sdn Bhd	Malaysia	MYR	100%	0%
New Sense Enterprises Ltd	Hong Kong	HKD	100%	0%
Project Goth India Pvt Ltd	India	INR	100%	0%
Eva Advisors Pty Ltd	South Africa	ZAR	100%	0%
Project Goth Pty Ltd	Australia	AUD	100%	0%
Westmag Resources Ltd	Bahamas	USD	100%	100%

a) Acquisition of controlled entity (Project Goth Inc)

On 5 August 2014, migme Limited, formerly Latin Gold Limited, (the Legal Parent and Legal Acquirer), completed a merger with the acquisition of Project Goth, Inc. and subsidiaries (Project Goth Inc. and the Legal Acquiree) through the issue of 147,001,367 shares in migme Limited.

In accordance with “AASB 3: Business Combination”, the merger was recorded under the reverse acquisition principals which resulted in the legal parent being accounted for as the subsidiary, while the Legal Acquiree, being accounted for as the parent. Under the reverse acquisition principals, the consideration provided by Project Goth Inc. was determined to be \$12,926,115, which was the fair value of the 64,630,647 shares owned by the former Latin Gold Limited shareholders at the completion of the merger.

The excess of fair value of the shares owned by the former Latin Gold Limited shareholders and the fair value of the identifiable net assets of migme Limited immediately prior to the completion of the merger is accounted for under “AASB 2: Share-based Payment” and resulted in the recognition of \$10,841,177 being recorded as “Corporate Transaction Accounting Expense.” The net assets of Project Goth Inc. were recorded at fair value at the completion of the merger. No adjustments were required to the historical book values.

Consideration

	5 August 2014 \$
Fair value of migme Limited	
Fair value of the ordinary shares on issue in migme Limited on 5 August 2014 prior to the acquisition	12,926,115
Total value of consideration	12,926,115

Fair value of acquired net assets

The fair value of acquired net assets and the resulting expense are as follows:

	5 August 2014 \$
Identifiable assets acquired	
Cash and cash equivalents	1,746,108
Other non-current assets	688,521
Property, plant and equipment	2,118
Current liabilities	(351,809)
Net assets acquired	2,084,938
Consideration paid	12,926,115
Expense recognised on acquisition	(10,841,177)

The net cash flow arising as a result of the acquisition was a cash inflow of \$9,746,108 which includes funds received of \$8,000,000 for the share placement to Big Build Enterprises Ltd.

b) Acquisition of New Sense Ltd

On 21 February 2014, Project Goth Inc acquired New Sense Ltd. The total consideration paid was \$27,658 (USD \$25,000) and shares in Project Goth Inc to the value of USD \$500,000.

Details of the acquisition are as follows:

	\$
Cash paid	27,658
Shares issued	553,150
Total consideration paid	580,808
Less: fair value of identifiable assets acquired	(4,856)
Goodwill	575,952

As a result of impairment testing, goodwill of \$575,952 has been written off for the year ended 31 December 2014.

The assets and liabilities arising from this acquisition are as follows:

	\$
Cash and cash equivalents	1,001
Other assets	3,855
Net Assets	4,856

Purchase consideration – the inflow/(outflow) of cash to acquire the entity, net of cash acquired:

	\$
Cash balance acquired	1,001
Less: cash paid	(27,658)
Net outflow of cash	(26,657)

c) Acquisition of LoveBytes Pte Ltd

On 16 October 2014, migme Limited acquired LoveBytes Pte Ltd. The total consideration paid was \$57,195 and shares in migme Limited to the value of \$275,132.

Details of acquisition are as follows:

	\$
Cash paid	57,195
Shares issued	275,132
Total consideration paid	332,327
Less: fair value of identifiable assets acquired	(31,379)
Goodwill	300,948

As a result of impairment testing, goodwill of \$300,948 has been written off for the year ended 31 December 2014.

The assets and liabilities arising from this acquisition are as follows:

	\$
Cash and cash equivalents	29,155
Leasehold improvements and equipment	7,214
Payables	(4,990)
Net Assets	31,379

Purchase consideration – the inflow/(outflow) of cash to acquire the entity, net of cash acquired:

	\$
Cash balance acquired	29,155
Less: cash payable	(57,195)
Net outflow of cash	(28,040)

d) Acquisition of convertible notes

As part of the acquisition, migme Limited acquired all the convertible notes issued by Project Goth Inc and M3H Pte Limited. The total face value of the convertible notes issued by each entity on acquisition was \$1,923,282 and \$7,637,781 respectively. The consideration provided by Migme Limited to purchase the convertible notes for the note holders was the issuance of shares in migme Limited with a fair value of \$10,299,766 which resulted in a loss being recognised of \$738,703.

20. Other Significant Information

There are no other significant information that has not been reported in this Appendix 4E and/or in prior market announcements.

21. Audit Status (*Appendix 4E item 15*)

This report is based on accounts which are in the process of being audited.

22. Commentary of Results (*Appendix 4E item 14*)

Please refer to the above explanation of loss after tax and the attached market announcement.

23. Significant features of operating performance (*Appendix 4E item 14.3*)

Please refer to the above explanation of loss after tax and the attached market announcement.