

ASX PRELIMINARY FINAL REPORT

migme Limited

ABN 43 059 457 279

31 December 2015

Lodged with the ASX under Listing Rule 4.3A

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migme Limited

Year ended 31 December 2015

(Previous corresponding period being the year ended 31 December 2014)

Results for announcement to the market

	FY15 \$	FY14 \$		Change %
Revenue (Appendix 4E item 2.1)	12,184,840	1,948,759	Up	525
Loss for the year after tax (Appendix 4E item 2.2)	(21,043,225)	(28,628,579)	Down	26
Loss for the period attributable to members (Appendix 4E item 2.3)	(21,043,225)	(28,628,579)	Down	26
Dividends (Appendix 4E item 2.4)	-	-	-	-
Basic loss per share (\$ per share)	(0.08)	(0.21)	Down	62
Diluted loss per share (\$ per share)	(0.08)	(0.21)	Down	62
Net tangible assets per share	0.02	0.02	N/A	N/A

Explanation of revenue (Appendix 4E item 2.6)

Revenue for migme Limited was \$12.2m for 2015 compared to \$1.9m in 2014 representing a growth of 525%. In 2015 the company continued to focus on improving the platform and audience building with our users and partners. Migme has developed a key presence in Indonesia and has now built foundations to expand into India and the Philippines for FY16.

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

In FY15, migme continued to develop a key presence in Indonesia and built foundations to expand into India and the Philippines for FY16. A number of acquisitions were completed in 2015 and three portfolio brands were added to the company:

- In January 2015, the company acquired pay-to-bid business Sold.sg in Singapore and further expanded operations into ecommerce and launched in Malaysia;
- In November 2015, the company acquired Ionic App Labs to grow the development team in Taipei; and
- In December 2015, the company acquired Indonesian news site Hipwee and signed an agreement to acquire the assets of Indonesian ecommerce business Shopdeca, to further expand migme's ecommerce initiatives.

MAU (Monthly Active Users) finished at 32m at the end of FY15 (a 220% growth from FY14), and revenue increased by 525% from FY14 to \$12.2m for FY15.

Operating expenses were up 42% in FY15 primarily due to an increase in labour and occupancy costs. The company has significantly increased its engineering capabilities and regional operational teams, positioning the company well to aggressively penetrate key target markets in FY16.

An iOS app was launched in FY15 to complete the key mobile client mix, for coverage across all handsets and web browsers. For FY16 the focus will be to enhance and improve the mobile client functionality and overall user experience. The year will also see commencement of the integration process of our portfolio brands into the broader migme platform, and the addition of more gaming partners.

FY2015 finished with the number of active artists and verified users increasing to 620 (an increase of 313% from the previous financial year). The company has made further progress with its engagement program, helping to guide and enable these artists to find success and monetisation on the migme platform. The company will continue to build and expand this program to reach more users in FY16.

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

Please refer to the above paragraph and accompanying market announcement.

Explanation of dividends (*Appendix 4E item 2.4*)

No dividends were declared or paid for the years ended 31 December 2015 and 31 December 2014.

Preliminary consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2015

		Consolidated	
	Note	2015 \$	2014 \$
Revenue	3	12,184,840	1,948,759
Cost of sales	3	(13,043,421)	(605,467)
Marketing expenses		(1,863,930)	(751,006)
Gross profit/(loss)		(2,722,511)	592,286
Other Income		114,667	4,138
Employee benefits expenses	3	(10,442,682)	(6,240,989)
Operating expenses	3	(4,647,536)	(4,293,940)
Finance costs		(19,972)	(117,661)
Realised and unrealised foreign exchange gains		30,068	738,365
Share-based payment expenses	18	(2,989,234)	(6,698,899)
Goodwill write-off	24	(335,366)	(876,900)
Impairment on available for sale securities	10	(27,921)	(123,351)
Loss on convertible notes purchase		-	(738,703)
Corporate transaction accounting expense		-	(10,841,177)
Loss before tax		(21,040,487)	(28,596,831)
Income tax expense	5	(2,738)	(31,748)
Loss for the year		(21,043,225)	(28,628,579)
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		(33,202)	918,646
Other comprehensive income, net of tax		(33,202)	918,646
Total comprehensive loss		(21,076,427)	(27,709,933)
Loss attributable to owners of the Company		(21,043,225)	(28,628,579)
Total comprehensive loss attributable to owners of the Company		(21,076,427)	(27,709,933)
Earnings/(loss) per share (cents per share)			
Basic earnings/(loss) per share	21	(0.08)	(0.21)
Diluted earnings/(loss) per share	21	(0.08)	(0.21)

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 2015

		Consolidated	
	Note	2015 \$	2014 \$
ASSETS			
Current assets			
Cash and cash equivalents	6	8,658,446	5,926,090
Prepayments		251,432	120,688
Other assets	8	409,160	504,501
Inventories	7	100,363	-
Total current assets		9,419,401	6,551,279
Non-current assets			
Leasehold improvements and equipment	9	582,761	501,586
Goodwill	23	325,875	-
Other non-current assets	10	168,189	144,725
Total non-current assets		1,076,825	646,311
Total assets		10,496,226	7,197,590
LIABILITIES			
Current liabilities			
Trade and other payables	11	1,693,669	1,351,867
Provisions	12	209,016	181,478
Deferred revenue	13	318,456	71,575
Deferred consideration	14	710,302	-
Total current liabilities		2,931,443	1,604,920
Non-current liabilities			
Convertible notes	15	3,177,619	-
Total non-current liabilities		3,177,619	-
Total liabilities		6,109,062	1,604,920
Net assets		4,387,164	5,592,670
EQUITY			
Contributed equity	16	95,272,002	78,592,668
Reserves	17	11,365,379	8,206,994
Accumulated losses	19	(102,250,217)	(81,206,992)
Total equity		4,387,164	5,592,670

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 2015

	Issued capital \$	Reserves \$	Accumulated losses \$	Total \$
Balance as at 1 January 2014	41,770,202	5,893,227	(52,578,413)	(4,914,984)
Profit/(loss) for the year	-	-	(28,628,579)	(28,628,579)
Foreign currency translation movement	-	918,646	-	918,646
Total comprehensive income/(loss) for the year	-	918,646	(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
Profit/(loss) for the year	-	-	(21,043,225)	(21,043,225)
Foreign currency translation movement	-	(33,202)	-	(33,202)
Total comprehensive income/(loss) for the year	-	(33,202)	(21,043,225)	(21,076,427)
Transactions with owners of the Company				
Recognition of share based payments	-	2,989,234	-	2,989,234
Convertible notes – equity component	-	202,353	-	202,353
Issue of share capital	16,679,334	-	-	16,679,334
Balance as at 31 December 2015	95,272,002	11,365,379	(102,250,217)	4,387,164

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 2015

	Note	Consolidated 2015 \$	Consolidated 2014 \$
Cash flows from operating activities			
Receipts from customers		12,436,021	1,862,669
Payments to suppliers and employees		(29,500,799)	(12,936,490)
Income taxes paid		(10,419)	(143,246)
Net cash used in operating activities	6(b)	(17,075,197)	(11,217,067)
Cash flows from investing activities			
Acquisition of leasehold improvement and equipment	9	(328,039)	(506,324)
Cash from acquisition of subsidiaries	23	23,264	9,746,108
Other investments		387,996	(402,405)
Net cash from investing activities		83,221	8,837,379
Cash flows from financing activities			
Proceeds from issue of convertible notes	15	3,500,000	7,075,391
Proceeds from issue of shares		16,006,618	-
Proceeds from exercise of share options	16	139,407	11,404
Net cash from financing activities		19,646,025	7,086,795
Net increase in cash and cash equivalents		2,654,049	4,707,107
Cash and cash equivalents at the beginning of the year		5,926,090	374,169
Effect of movements in exchange rates on cash held		78,307	844,814
Cash and cash equivalents at the end of the year	6(a)	8,658,446	5,926,090

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

migme Limited

Supplementary Appendix 4E information

1. Corporate Information

migme Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The consolidated financial statements of migme Limited as at and for the year ended 31 December 2015 comprise the financial statements of migme Limited and its subsidiaries (as outlined in note 22).

migme Limited is a global digital media company focused on emerging markets. Social entertainment services are delivered through mobile apps migme and LoveByte, artist management website alivenotdead and ecommerce services through Sold.

2. Significant Accounting Policies

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for certain assets, which as noted have been measured at amortised cost and fair value basis.

This financial report complies with the Corporations Act 2001, Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

All amounts are presented in Australian dollars unless otherwise noted.

(b) Going Concern

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

The Group has incurred a net loss after tax for the year ended 31 December 2015 of \$21,043,225 (2014: \$28,628,579), and a net cash outflow from operating activities of \$17,075,197 (2014: \$11,217,067). As at 31 December 2015, the Group has working capital surplus of \$6,487,958 (2014: \$4,946,359).

The Group's ability to continue as a going concern and pay its debts as and when they fall due, assumes the following:

- a) the Group's ability to generate sufficient increase in customer receipts to cover ongoing expense disbursements; and/or
- b) the Group is able to secure further investment to finance the Group's operations, as required.

The Directors have reviewed the business outlook and cash flow forecast and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will achieve

the matters set out above. As such, the Directors believe that they will continue to be successful in securing additional funds as and when the need to raise working capital arises.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

(c) Presentation and functional currency

Presentation currency

The consolidated financial report is presented in Australian dollars.

Functional currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Australian dollars ("AUD"), which is the functional currency of migme Limited and the presentation currency for the consolidated financial statements.

(d) Clarification of terminology used in the Statement of Comprehensive Income and the Statement of Cash Flows

Under the requirements of AASB 101: "Presentation of Financial Statement", migme Limited classifies expenses (apart from finance costs) according to either the nature (type) of the expense or function (activity to which the expense relates). The Directors have chosen to classify expenses using the nature classification as it more accurately reflects the type of operations undertaken.

(e) New accounting standards and interpretations

New standards effective from 1 January 2015

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2015 affected any of the amounts recognised in the current period or any prior period although it caused minor changes to the Group's disclosure

New standards and interpretations issued not yet adopted

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- *AASB 9 Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018)

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments it is impractical at this stage to provide a reasonable estimate of such impact

- *AASB 15: Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

The directors anticipate that the adoption of AASB 15 will not have a material impact on the Group's revenue recognition and disclosures).

- *AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]*

AASB 2014-3 amends AASB 11 Joint Arrangements to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:

- a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and
- b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

This Standard also makes an editorial correction to AASB 11.

- *AASB 2014-9: Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* (AASB 2014-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted).

AASB 2014-9 amends AASB 127 Separate Financial Statements, and consequentially amends AASB 1 First-time Adoption of Australian Accounting Standards and AASB 128 Investments in Associates and Joint Ventures, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2014-9 also makes editorial corrections to AASB 127.

- IFRS 16: Leases applies to annual reporting periods beginning on or after 1 January 2019.

IFRS 16 requires that lessees recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Assets and liabilities arising from a lease are initially measured on a net present value basis. The directors anticipate this will have an impact on the financial statements but at this stage are unable to quantify the impact.

- Other standards not yet applicable

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(f) Basis of Consolidation

The consolidated financial statement comprise the financial statements of migme Limited and its subsidiaries as at 31 December 2015. Subsidiaries are entities the parent controls. 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 and 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. 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.

(g) Revenue recognition

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 and physical goods and games are recognised upon completion of delivery of the goods and games, 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.

(h) 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, 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.

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 in the statement of financial position. Deferred tax assets, including those arising from un-recouped 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 18.

(i) 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. 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.

(j) Cash and cash equivalents

Cash in the statement of financial position and statement of cash flows comprise cash at bank and cash on hand.

(k) Other receivables

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

(l) 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 at 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.

(m) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax ("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.

(n) 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 de-recognised 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 items is de-recognised.

Impairment

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

(o) Fair value measurement

migme Limited measures financial instruments and non-financial assets at fair value at each balance 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 is 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.

(p) 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 their 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 are 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.

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 based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

(q) Investments

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

(r) 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.

(s) Inventories

Inventories are stated at lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average cost.

(t) 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.

(u) 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.

(v) 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 and annual 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 and other leave benefits; and other types of employee benefits; are recognised against profits on a net basis in their respective categories.

(w) 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).

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.

(x) 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.

(y) 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.

(z) Earnings/loss per share**Basic earnings/loss per share**

Basic earnings/loss per share is calculated as 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.

3. Revenue and expenses

	Consolidated	
	2015 \$	2014 \$
Revenue		
Sale of virtual and physical goods and games	12,184,840	1,948,759
Cost of Sales		
Infrastructure, revenue share and cost of products expenses	(13,043,421)	(605,467)
Employee benefits expense		
Remuneration, bonuses, and other employment related costs	(10,442,682)	(6,240,989)
Operating expenses		
Expenses include the following:		
Occupancy and administrative expenses	(2,328,198)	(1,167,446)
Travel related expenses	(978,854)	(792,204)
Amortisation and depreciation expense	(272,978)	(124,681)
Audit, accounting, taxation and legal expenses	(589,300)	(253,390)
Software development and maintenance expenses	(216,166)	(544,178)
Corporate, secretarial and registry expenses	(157,703)	(67,282)
Hiring expenses	(104,337)	(338,324)
Merger related expenses	-	(1,006,435)
Total	(4,647,536)	(4,293,940)

4. Segment Reporting (*Appendix 4E item 14.4*)

a) Basis for segmentation

The operating segments presented reflect the manner in which the Group has been internally managed and the financial information reported to the chief operating decision maker (CEO) in the current financial year. There are two strategic geographic divisions which are its reportable segments. The two geographic divisions are as follows:

Reportable Segments	Operations
South Asia	Represents operations in Indonesia, Singapore, Malaysia, India, Nepal, Hong Kong and Philippines.
Others	Represents operations in countries not specified above.

Each of the two geographic segments offers our customers a platform which incorporates various products for their utilisation and enjoyment.

b) Information about reportable segments

Information related to each reportable segment is set out below.

2015	South Asia \$	All Other Segments \$	Elimination of intersegment \$	Total \$
External Revenue	12,184,840	-		12,184,840
Intersegment Revenue	1,578,227	-	(1,578,227)	-
Total segment revenue	13,763,067	-	(1,578,227)	12,184,840
Segmental results	(18,374,432)	(1,957,878)	(710,915)	(21,043,225)
Segment Assets	9,521,253	47,530,594	(46,555,621)	10,496,226
Segment Liabilities	12,787,889	5,082,180	(11,761,007)	6,109,062

For the year ended 31 December 2014, the Group had one reportable segment being the migme platform operations in Asia. As such, the reportable segment 2014 financial statements are the same as the 2014 consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position.

5. Income Tax

	Consolidated	
	2015 \$	2014 \$
Current income tax		
Current income tax expense/(benefit)	-	-
Adjustment in respect of current income tax of previous years	2,738	31,748
Deferred income tax	-	-
Income tax reported in income statement	2,738	31,748
A reconciliation of income tax expense/(benefit) applicable to account profit before income tax at the statutory income tax rate is as follows:		
Accounting profit/(loss) before income tax	(21,040,487)	(28,596,831)
Statutory income tax rate of 30%	(6,312,146)	(8,579,049)
Tax effect of amounts not deductible/assessable in calculating income		
Share-based payments	896,770	2,009,670
Provisions and accruals	16,306	160,581
Unrealised foreign exchange	(2,836)	(240,739)
Other non-deductible / non-assessable items	74,906	273,370
Impairment of non-deductible items arising from reverse acquisition	-	3,515,423
Non deductible write off of goodwill	100,610	-
Effect of lower overseas tax rates	2,081,692	741,360
Deferred tax balances not recognised	3,147,436	2,151,132
Total income tax expense	2,738	31,748
The following deferred tax balances have not been recognised:		
Deferred tax assets relate to the following:		
Tax losses carried forward - Australia	254,499	2,382,006
Tax losses carried forward - overseas	15,561,399	13,684,613
Provisions and accruals	72,900	144,415
Others	3,060	4,590
Total deferred tax assets	15,891,858	16,215,624
Deferred tax liabilities relate to the following:		
Unrealised foreign exchange	26,463	662,450
Total deferred tax liabilities	26,463	662,450

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 2015.

6. Cash and Cash Equivalents

a) Reconciliation of cash

	Consolidated	
	2015	2014
	\$	\$
Cash at bank and on hand	8,375,333	5,834,526
Cash at financial institutions	283,113	91,564
Total	8,658,446	5,926,090

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

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

	Consolidated	
	2015	2014
	\$	\$
Reconciliation of loss after tax to net cash flows from operating activities		
Net loss after tax	(21,043,225)	(28,628,579)
Adjustments for non-cash income and expense items:		
Depreciation and amortisation	272,978	124,681
Write off of property, plant & equipment	-	1,591
Share based payments	2,989,234	6,698,899
Goodwill write off on acquisition	335,366	876,900
Impairment of investments	27,921	123,351
Write off of bad debts	172,375	-
Corporate transaction accounting expense	-	10,841,177
Unrealised exchange (gain)/losses	(286,837)	(802,465)
Loss on purchase of convertible notes	-	738,703
Changes in net assets and liabilities:		
(Increase)/decrease in prepayments	(130,744)	(87,617)
(Increase)/decrease in other assets	95,341	(6,341)
(Increase)/decrease in inventories	(100,363)	-
(Increase)/decrease other non-current assets	(23,464)	(22,657)
Increase/(decrease) in trade and other payables	341,802	(992,062)
Increase/(decrease) in provisions	27,538	108,898
Increase/(decrease) in current and deferred tax liability	-	(111,498)
Increase/(decrease) in deferred revenue	246,881	(80,048)
Net cash flow used in operating activities	(17,075,197)	(11,217,067)

Non cash financing and investing activities

The following were non cash financing and investing activities:

- Shares issued for the acquisition of PT Hipwee Media Solutions are disclosed in note 23; and
- Shares issued for the acquisition of LoveBytes Pte Ltd and the assets of sold.sg are disclosed in note 16.

7. Inventories

	Consolidated	
	2015 \$	2014 \$
Merchandise held for sale	100,363	-
Total	100,363	-

8. Other Assets

	Consolidated	
	2015 \$	2014 \$
Convertible notes receivable	-	434,867
Other receivables	399,451	57,489
Income tax receivable	9,709	12,145
Total	409,160	504,501

Other receivables are non-interest bearing and generally on 30-60 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. As at 31 December 2015, no amounts are impaired or past due.

9. Leasehold Improvements and Equipment

	Leasehold improvements	Office & computer equipment	Furniture, fixtures and fittings	Total
	\$	\$	\$	\$
Gross carrying amount				
Balance at 1 January 2015	170,150	718,677	74,011	962,838
Additions	13,263	297,968	16,808	328,039
Assets written off	(31,221)	(190,583)	(5,924)	(227,728)
Effect of exchange rate	5,163	8,057	1,250	14,470
Balance at 31 December 2015	157,355	834,119	86,145	1,077,619
Depreciation and amortisation				
Balance at 1 January 2015	(85,486)	(333,676)	(42,090)	(461,252)
Assets written off	31,221	190,583	5,924	227,728
Depreciation and amortisation expense	(56,508)	(213,298)	(3,172)	(272,978)
Effect of exchange rate	4,159	17,074	(9,589)	11,644
Balance at 31 December 2015	(106,614)	(339,317)	(48,927)	(494,858)
Carrying amount at 31 December 2015	50,741	494,802	37,218	582,761
Gross carrying amount				
Balance at 1 January 2014	89,636	333,534	49,224	472,394
Additions	82,191	399,350	24,783	506,324
Disposals	(1,591)	(6,714)	-	(8,305)
Effect of exchange rate	(86)	(7,493)	4	(7,575)
Balance at 31 December 2014	170,150	718,677	74,011	962,838
Depreciation and amortisation				
Balance at 1 January 2014	(57,914)	(245,952)	(32,705)	(336,571)
Disposals	-	-	-	-
Depreciation and amortisation expense	(27,572)	(87,724)	(9,385)	(124,681)
Balance at 31 December 2014	(85,486)	(333,676)	(42,090)	(461,252)
Carrying amount at 31 December 2014	84,664	385,001	31,921	501,586

10. Other Non-Current Assets

	Consolidated	
	2015 \$	2014 \$
Deposits for operating related expenses	157,481	110,340
Available for sale securities – Tier 1	10,708	34,385
Total	168,189	144,725

Available for sale securities are carried at fair value and are regarded as Tier 1 assets for valuation purposes. An impairment charge of \$27,921 was recognised to fair value the available for sale securities.

11. Trade and Other Payables

	Consolidated	
	2015 \$	2014 \$
Trade payables and accrued expenses	1,693,669	1,351,867

Trade payables are non-interest bearing and are normally settled on 30-60 day terms.

12. Provisions

	Consolidated	
	2015 \$	2014 \$
Employee benefits – annual leave	209,016	181,478

13. Deferred revenue

Revenue is recognised upon completion of delivery of the virtual and physical products and games to the customers. Revenue is measured at the fair value of the consideration received or receivable. Deferred revenue balance represents virtual and physical products and games not yet utilised by/fulfilled to the customers.

	Consolidated	
	2015 \$	2014 \$
Deferred revenue - sale of virtual credits, virtual games and physical products	318,456	71,575

14. Deferred Consideration

Deferred consideration balance as at 31 December 2015 consists of the following:

- a) Fair value of 725,186 migme shares to be issued valued at \$641,790 for the acquisition of PT Hipwee Media Solutions (refer note 23); and
- b) Deferred cash consideration amounting to \$68,512 for the acquisition of LoveBytes Pte Ltd on 16 October 2014.

15. Convertible Notes

Convertible notes were issued in December 2015 with the following terms and conditions:

- 24 month term maturing in December 2017;
- Face value of \$3,500,000;
- Nominal interest rate of 10%; and
- \$1.10 per share conversion ratio.

	\$
Proceeds from issue of convertible notes	3,500,000
Transaction costs	(140,000)
Net proceeds	3,360,000
Amount classified as equity (note 17)	(202,353)
Accrued interest and costs	19,972
Carrying amount of liability at 31 December 2015	3,177,619

The reserve for convertible notes comprises the amount allocated to the equity component for the convertible notes issued by the Group in December 2015 (see note 17).

16. Contributed Equity

	Consolidated			
			2015	2014
			\$	\$
Issued capital			95,272,002	78,592,668
	Number of Shares 2015	Consolidated 2015 \$	Number of Shares 2014	Consolidated 2014 \$
Balance at the beginning of the year	251,632,014	78,592,668	72,421,600	41,770,202
Options and warrants converted to shares	-	-	80,718	1,592
Issuance of shares – employees	-	-	36,486,068	2,378,875
Issuance of shares – employee share option trust	-	-	17,138,102	-
Issuance of shares - arrangers	-	-	23,333,333	2,752,393
Issuance of shares - AlivenotDead acquisition	-	-	4,504,504	553,150
<i>Merger of migme Limited and Project Goth, Inc.</i>				
Elimination of existing Project Goth, Inc. shares	-	-	(153,964,325)	-
Existing migme Limited shares on acquisition	-	-	64,630,647	12,926,115
Issue of migme Limited shares to Big Build Enterprises Limited	-	-	40,000,000	8,000,000
Issue of migme Limited shares on acquisition of convertible notes	-	-	51,498,849	10,299,766
Issue of migme Limited shares for the acquisition of Project Goth, Inc.	-	-	92,378,595	-
Issue of migme Limited shares to brokers	-	-	3,123,923	624,785
Issuance of shares – LoveBytes acquisition	757,939	275,016	-	-
Issuance of shares – Sold.sg acquisition	363,919	243,902	-	-
Issuance of shares – capital raising	20,557,761	17,110,000	-	-
Options exercised (i)	-	149,205	-	9,812
Capital raising costs	-	(1,098,789)	-	(724,022)
Total quoted shares outstanding at 31 December	273,311,633	95,272,002	251,632,014	78,592,668

- (i) On the exercise of these options, shares were issued from the Employee Share Trust.

17. Reserves

	2015 \$	2014 \$
Share options	5,877,297	3,868,687
Share equity	1,506,641	526,017
Share warrants	301,961	301,961
Foreign currency translation reserve	3,477,127	3,510,329
Convertible note equity reserve	202,353	-
Total	11,365,379	8,206,994
	2015 \$	2014 \$
Share options reserve		
Opening Balance	3,868,687	2,999,583
Options issued during the year	2,008,610	869,104
Closing Balance	5,877,297	3,868,687
Share equity reserve		
Opening Balance	526,017	-
Shares issued during the year	980,624	526,017
Closing Balance	1,506,641	526,017
Share warrants reserve		
Opening Balance	301,961	301,961
Share warrants issued during the year	-	-
Closing Balance	301,961	301,961
Foreign currency translation reserve		
Opening Balance	3,510,329	2,591,683
Translation of controlled entities	(33,202)	918,646
Closing Balance	3,477,127	3,510,329
Convertible note equity reserve		
Opening Balance	-	-
Convertible note – equity component	202,353	-
Closing Balance	202,353	-

18. Share-based Payments

The recognised expense arising from equity settled share-based payment plans totalled \$2,989,234 for the year ended 31 December 2015.

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 and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Valuation of 762,587 share options granted on 1 January 2015

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	2.32%
Expected life of option (years)	4
Exercise price per terms & conditions	\$0.70
Underlying security spot price	\$0.82
Valuation date	1 January 2015
Expiry date	31 December 2015
Valuation per option	\$0.427

Valuation of 125,000 share options granted on 18 March 2015

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	2.04%
Expected life of option (years)	3.79
Exercise price per terms & conditions	\$0.70
Underlying security spot price	\$0.75
Valuation date	18 March 2015
Expiry date	31 December 2018
Valuation per option	\$0.3614

Valuation of 750,000 share options granted on 18 March 2015

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	2.04%
Expected life of option (years)	3.79
Exercise price per terms & conditions	\$0.70
Underlying security spot price	\$0.75
Valuation date	18 March 2015
Expiry date	31 December 2018
Valuation per option	\$0.3614

Valuation of 444,384 share options granted on 22 April 2015

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	1.91%
Expected life of option (years)	1.7
Exercise price per terms & conditions	\$0.20
Underlying security spot price	\$0.655
Valuation date	22 April 2015
Expiry date	31 December 2016
Valuation per option	\$0.4681

Valuation of 675,200 share options granted on 22 April 2015

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	1.91%
Expected life of option (years)	1.7
Exercise price per terms & conditions	\$0.70
Underlying security spot price	\$0.655
Valuation date	22 April 2015
Expiry date	31 December 2016
Valuation per option	\$0.1914

Valuation of 239,000 share options granted on 20 May 2015

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	2.34%
Expected life of option (years)	4
Exercise price per terms & conditions	\$0.70
Underlying security spot price	\$0.705
Valuation date	20 May 2015
Expiry date	31 May 2019
Valuation per option	\$0.339

Valuation of 1,792,000 share options granted on 27 July 2015

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	2.08%
Expected life of option (years)	4
Exercise price per terms & conditions	\$1.20
Underlying security spot price	\$1.04
Valuation date	27 July 2015
Expiry date	31 July 2019
Valuation per option	\$0.4533

Valuation of 74,000 share options granted on 23 September 2015

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

Item	Inputs
Volatility (%) (see below)	71%
Risk-free interest rate (%) – range	2.13%
Expected life of option (years)	4.1
Exercise price per terms & conditions	\$1.20
Underlying security spot price	\$0.98
Valuation date	23 September 2015
Expiry date	31 October 2019
Valuation per option	\$0.4908

Valuation of 300,000 share options granted on 14 December 2015

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

Item	Inputs
Volatility (%) (see below)	68%
Risk-free interest rate (%) – range	2.3%
Expected life of option (years)	3.6
Exercise price per terms & conditions	\$1.20
Underlying security spot price	\$0.895
Valuation date	14 December 2015
Expiry date	31 July 2019
Valuation per option	\$0.3809

Valuation of 2,450,000 share options granted on 14 December 2015

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

Item	Inputs
Volatility (%) (see below)	68%
Risk-free interest rate (%) – range	2.3%
Expected life of option (years)	3.6
Exercise price per terms & conditions	\$1.20
Underlying security spot price	\$0.895
Valuation date	14 December 2015
Expiry date	31 July 2019
Valuation per option	\$0.3809

Summary of options issued

The Company has the following 19,444,697 unquoted options to acquire unissued ordinary shares on issue:

- 7,500,000 options each exercisable at \$0.20 and expiring 31 July 2017;
- 2,951,550 options each exercisable at \$0.20 and expiring 15 October 2019;
- 399,947 options each exercisable at \$0.363 and expiring 15 October 2019;
- 600,000 options each exercisable at \$0.40 and expiring 30 November 2019;
- 3,511,200 options each exercisable at \$0.70 and expiring 31 December 2018; and
- 4,482,000 options each exercisable at \$1.20 and expiring 31 July 2019.

The following table sets out details of those outstanding unquoted options over unissued ordinary shares and their weighted average exercise price ('WAEP').

	31 December 2015		31 December 2014	
	Number	WAEP	Number	WAEP
Balance at the beginning of the year	18,083,887	\$0.28	-	-
Granted during the year	5,897,584	\$1.05	18,083,887	\$0.28
Forfeited during the year	(4,165,107)	\$0.21	-	-
Exercised during the year	(371,667)	\$0.20	-	-
Outstanding at the end of the year	19,444,697	\$0.53	18,083,887	\$0.28
Exercisable at the end of the year	6,904,754		1,349,998	

The weighted average life of the outstanding number options as at 31 December 2015 is 2.75 years.

19. Accumulated Losses (Appendix 4E item 6)

	Consolidated	
	2015 \$	2014 \$
Balance at beginning of year	(81,206,992)	(52,578,413)
Loss for the year	(21,043,225)	(28,628,579)
Balance at end of year	(102,250,217)	(81,206,992)

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

	2015 \$	2014 \$
Net tangible asset backing per ordinary share	0.02	0.02

21. 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 divided by the weighted average number of ordinary shares during the financial year.

Diluted earnings/(loss) per share 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	
	2015 \$	2014 \$
Profit/(loss) attributable to members of the Group	(21,043,225)	(28,628,579)
	Shares	Shares
Weighted average number of ordinary shares for basic earnings per share	262,699,224	135,418,967
Effect of dilution	-	-
Weighted number of ordinary shares adjusted for dilution	262,699,224	135,418,967
	\$	\$
Earnings/(loss) per share:		
Basic loss per share for the year attributable to ordinary members of the parent	(0.08)	(0.21)
Diluted loss per share for the year attributable to ordinary members of the parent	(0.08)	(0.21)

22. 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 2015	31 December 2014
M3H Pte Ltd	Singapore	SGD	100%	100%
migme Pte Ltd	Singapore	SGD	100%	100%
LoveBytes Pte Ltd	Singapore	SGD	100%	100%
Migme Taiwan Ltd	Taiwan	TWD	100%	100%
Project Goth, Inc.	USA	USD	100%	100%
Project Goth Sdn Bhd	Malaysia	MYR	100%	100%
New Sense Enterprises Ltd	Hong Kong	HKD	100%	100%
Project Goth India Pvt Ltd	India	INR	100%	100%
Eva Advisors Pty Ltd	South Africa	ZAR	100%	100%
Project Goth Pty Ltd	Australia	AUD	100%	100%
Westmag Resources Ltd	Bahamas	USD	100%	100%

The consolidated financial statements include the financial statements of PT Hipwee Media Solutions which was acquired on 31 December 2015. The Group does not own any equity interest in PT Hipwee Media Solutions however the Group has satisfied the control tests in accordance to AASB 10 which enables the Group to consolidate the financial statements of PT Hipwee Media Solutions.

23. Business Combination

On 31 December 2015, the Company acquired an Indonesian social news site PT Hipwee Media Solutions. The total consideration paid was \$641,790 consisting of the following:

	\$
Cash paid/payable	-
Shares issued	641,790
Total consideration paid	641,790
Less: fair value of identifiable assets acquired	(315,915)
Goodwill	325,875

In addition to the consideration paid as at 31 December 2015, there will be an option grant to acquire 50,000 migme Ltd shares at an exercise price determined based on 90 days VWAP post-completion. Therefore these options cannot be valued as at 31 December 2015. Further analysis will be undertaken to value intangible assets acquired and goodwill acquired on acquisition may change.

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

	\$
Cash and cash equivalents	23,264
Other assets	303,557
Payables	(10,906)
Net Assets	315,915

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

	\$
Cash balance acquired	23,264
Less: cash paid/payable	-
Net inflow of cash	23,264

24. Acquisition of www.sold.sg

On 21 January 2015, the Company acquired an online entertainment shopping website www.sold.sg. The total consideration paid was \$335,366 consisting of the following:

	\$
Cash paid/payable	91,464
Shares issued	243,902
Total consideration paid	335,366
Less: fair value of identifiable assets acquired	-
Goodwill	335,366

As a result of impairment testing, goodwill of \$335,366 has been written off for year ended 31 December 2015.

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

	\$
Cash balance acquired	-
Less: cash paid/payable	(91,464)
Net outflow of cash	(91,464)

25. Other Significant Information

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

26. Audit Status (Appendix 4E item 15)

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

27. Commentary of Results (Appendix 4E item 14)

Please refer to the explanation of loss after tax appearing on page 2 and the accompanying market announcement.

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

Please refer to the explanation of loss after tax appearing on page 2 and the accompanying market announcement.