

## 1. Company details

|                   |                                     |
|-------------------|-------------------------------------|
| Name of entity:   | Ensogo Limited                      |
| ACN:              | 165 522 887                         |
| Reporting period: | For the year ended 31 December 2015 |
| Previous period:  | For the year ended 31 December 2014 |

## 2. Results for announcement to the market

| Consolidated   | 31/12/2015<br>\$ | 31/12/2014<br>\$ | Movement |       |
|--|------------------|------------------|----------|-------|
| Revenues from ordinary activities  | 59,336,789       | 64,829,978       | Down     | 8.5%  |
| Loss from ordinary activities after tax attributable to the owners of Ensogo Limited | (79,757,415)     | (67,377,639)     | Up       | 18.4% |
| Loss for the year attributable to the owners of Ensogo Limited                       | (79,757,415)     | (67,377,639)     | Up       | 18.4% |
| <u>Additional information</u>  |                  |                  |          |       |
| Significant item before tax  | (49,292,757)     | (46,976,050)     | Up       | 4.9%  |
| Loss before tax excluding significant item   | (30,980,561)     | (24,182,551)     | Up       | 28.1% |
| Loss after tax excluding significant item  | (30,464,658)     | (20,401,589)     | Up       | 49.3% |

### Dividends

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

### Significant item

The significant item refers to an impairment charge of \$49,292,757 (31 December 2014: \$46,976,050) to the goodwill and intangible assets arising from business combinations of the group. The loss for the group after providing for income tax excluding the impairment charge of \$49,292,757 amounted to \$30,464,658 (31 December 2014: \$20,401,589).

## 3. Net tangible assets

|   | Reporting<br>period<br>Cents | Previous<br>period<br>Cents<br>(Restated) |
|---|------------------------------|---|
| Net tangible assets per ordinary security | 38.19                        | (72.19)                                   |

The comparative has been restated to reflect the 20:1 shares consolidation exercise in December 2015.

#### **4. Dividends**

*Current period*

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

*Previous period*

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

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#### **5. Audit qualification or review**

*Details of audit/review dispute or qualification (if any):*

The financial statements have been audited and an unqualified opinion has been issued.

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#### **6. Attachments**

*Details of attachments (if any):*

The Annual Financial Report of Ensogo Limited for the year ended 31 December 2015 is attached.

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#### **7. Signed**

Sam Weiss  
Non-Executive Chairman

Date: 29 February 2016

**Ensogo Limited**  
ACN 165 522 887

**Financial Statements - 31 December 2015**

**Ensogo Limited  
Corporate directory  
31 December 2015**

**Directors**

Sam Weiss (Chairman)  
Erman Akinci  
Thomas Baum  
Lucas Elliott  
Nick Geddes  
Patrick Grove  
David Gu

**Company secretary**

Mark Licciardo

**Registered office**

Level 7, 330 Collins Street  
Melbourne  
VIC 3000  
Tel: +61 3 8689 9997

**Share register**

Computershare Investor Services Pty Ltd  
Yarra Falls, 452 Johnson Street  
Abbotsford  
VIC 3067  
Tel: 1300 295 246 or +61 3 9415 4104

**Auditor**

PricewaterhouseCoopers  
Freshwater Place, 2 Southbank Boulevard  
Southbank  
VIC 3006

**Solicitors**

Herbert Smith Freehills  
101 Collins Street  
Melbourne  
VIC 3000

**Stock exchange listing**

Ensogo Limited shares are listed on Australian Securities Exchange (ASX code: E88)

**Website**

[www.ensogo.com](http://www.ensogo.com)

**Ensogo Limited  
Directors' report  
31 December 2015**

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Ensogo Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the financial year ended 31 December 2015.

**Directors**

The following persons held office as Directors of Ensogo Limited during the financial year:

Sam Weiss  
Erman Akinci  
Thomas Baum  
Lucas Elliott  
Nick Geddes  
Patrick Grove  
David Gu (appointed on 27 February 2015)

**Principal activities**

The principal activity of Ensogo Limited during the financial year was the provision of an e-Commerce business. Headquartered in Singapore with operations in Hong Kong, Singapore, Malaysia, Philippines, Indonesia and Thailand, the group provides products and services for sale to customers in South East Asia and Hong Kong through its e-Commerce websites.

**Dividends**

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

**Review of operations**

The Group recorded revenue of \$59,336,789, during the financial year. The loss for the Group after providing for income tax amounted to \$79,757,415 (31 December 2014: loss of \$67,377,639).

Impairment of goodwill of legacy assets was \$49,292,757, reducing the total goodwill relating to past acquisitions to zero as at 31 December 2015.

Cash Receipts during the financial year were \$116,422,746 (31 December 2014: \$135,575,697). Cash position increased to \$29,006,641 (31 December 2014: \$6,350,512.)

The reduction in cash receipts and higher loss before tax, interest, depreciation and amortisation is attributed to short term impact of the exit of legacy services business.

Gross turnover during the financial year was \$122,183,047 (31 December 2014: \$152,270,151) (gross turnover is an unaudited non-IFRS measure and represents the total billings to customers for the period for all product and service sales).

The Group's strategy for growth is to combine flash sales expertise and leadership in personalisation technology to build Southeast Asia's #1 mobile marketplace and is based on :

- Opening the platform to 3rd party sellers across the region
- Rapid increase in active suppliers and products available for sale
- High level of downloads and activation of the Ensogo mobile applications
- Driving customer engagement with market-leading shopping personalization technology

### **Review of operations (continued)**

In financial year 2015, the key areas of focus for management were:

- Increase in quality and quantity of flash sales launched and products available for sale on all websites
- Increase in number of active buyers through new customer acquisition strategies
- Increase of repurchase rates of existing customers

The Group has addressed the growth of supply by opening a mobile marketplace platform with accompanying new mobile applications to drive customer acquisition and engagement.

#### *Matters subsequent to the end of the financial year*

During January and February of 2016, the Group recorded a ten-fold growth in products available for sale (more than 860,000 unique SKUs as at 22 February 2016 as compared to 77,268 as at December 31 2015).

The Group has successfully launched new mobile applications with personalisation technology, increasing the number of downloads from 89,000 in January 2016 to over 250,000 in February 2016.

- Based on the growth of users after launching the marketplace platform, the Group decided to accelerate its exit from group buying services business
- The exit from services business allows for a leaner organization, Management plan to reduce staff costs to under \$4 million per quarter from Quarter 2 of 2016 onwards

Having a singular focus on the success of our marketplace business allows us to run a more efficient organization in a highly scalable manner, to consistently grow our revenues and achieve our goal of demonstrating a clear path to profitability.

### **Significant changes in the state of affairs**

On 27 February 2015, VIPshop, the leading China-based online discount retailer, made a strategic investment in Ensogo. VIPshop acquired a 12% equity stake for approximately AU\$6.4million. VIPshop's success with the e-commerce and considerable expertise in discount retailing is expected to strengthen and enhance Ensogo's business throughout Southeast Asia.

On 12 March 2015, Ensogo announced it had entered into an agreement, conditional on shareholder approval with WF Asia Reconnaissance Fund Limited a fund managed by Ward Ferry Management for the placement of 58,823,530 new Ensogo shares to Ward Ferry at an issue price of A\$0.17 per share. Ensogo shareholders approved the issue thereby raising \$10 million in new capital for Ensogo, representing approximately 10.6% of Ensogo's issued capital as at date of the Company's AGM

On 23 April 2015, Ensogo announced a \$38 million equity injection from Vipshop, Ward Ferry and other institutional investors at \$0.185 per share. These shares issues constituted approximately 27.4% of total issued share capital as at the issue date.

On 22 December 2015, the issued capital of Ensogo Limited was consolidated on a 20:1 basis, such that every twenty (20) pre-consolidation shares in the Company to be consolidated into one (1) post-consolidation share in the Company and, where the consolidation results in a fraction of a share being held, that fraction was rounded up to the next whole number of shares. Following the share consolidation exercise, the number of ordinary shares on issue reduced from 751,334,906 to 37,566,978. The consolidation had no material effect on the percentage interest of each individual shareholder in the Company as the consolidation applied equally to shareholders.

There were no other significant changes in the state of affairs of the Group during the financial year.

## **Environmental regulation**

The Group is not subject to any significant environmental regulation under either Australian Commonwealth or State law or within the foreign jurisdictions in which it operates.

## **Information on directors**

|                                      |  |
|--------------------------------------|--|
| Name:                                | Sam Weiss  |
| Title:                               | Independent, non-executive Chairman, Chairman of Remuneration and Nomination Committee   |
| Experience and expertise:            | Board member since November 2013 and Chairman since June 2015. Mr Weiss (AB MS FAICD) is a highly experienced company Chairman and Non-Executive Director and brings valuable Boardroom experience in strategy, financial discipline, governance, remuneration policy, brand building and corporate leadership development. Through his executive roles of Vice-President of Asia Pacific, Gateway Computers, COO of LetsBuyIt.com and COO of Nike Europe. Mr Weiss has extensive corporate advisory, product merchandising and marketing and organisational design and development knowledge. Mr Weiss is a graduate of Harvard University and the Columbia University School of Business Administration. |
| Other current directorships:         | Mr Weiss is a director and the Chairman of Altium Ltd and 3PLearning Ltd.  |
| Former directorships (last 3 years): | iProperty Group Limited, Orotan Group Ltd and Breville Group Ltd.  |
| Special responsibilities:            | Member of the Audit, Business Risk and Compliance Committee (served as Chairman until July 2015). Member of the Remuneration and Nomination Committee (served as Chairman until February 2016).  |
| Interests in shares:                 | Sam Weiss has an effective interest of 0.2% through Mutual Appreciation Society Pty Limited (Garb-Weiss Super Fund A/c) and Southern Skies Pty Ltd which holds 62,084 shares and 13,217 shares respectively in the company. Mr Weiss is both a shareholder and director in these two companies.  |

**Information on directors (continued)**

|                                      |   |
|--------------------------------------|---|
| Name:                                | Lucas Elliott   |
| Title:                               | Non-independent, non-executive Director   |
| Qualifications                       | B. COMM   |
| Experience and expertise:            | Board member since August 2013. Mr Elliott is a co-founder of Ensogo. He has over 15 years of Asian online experience, with a focus on developing fast moving online business models and monetising online assets. Mr Elliott is also a co-founder of Catcha Group, where he is responsible for all aspects of Catcha Group's corporate finance activities, including mergers and acquisitions, capital raisings and public listings. Mr Elliott has a Bachelor of Commerce degree with a major in Finance from the University of Sydney. |
| Other current directorships:         | Mr Elliott is also a director of iCar Asia Ltd, an ASX-listed company, and Rev Asia Berhad, a Malaysian-listed company.   |
| Former directorships (last 3 years): | None  |
| Special responsibilities:            | Member of the Audit, Business Risk and Compliance Committee and member of the Remuneration and Nomination Committee   |
| Interest in shares:                  | Patrick Grove and Lucas Elliott together have an effective 14.13% interest through Catcha Group which holds 5,310,023 shares in the company   |



**Information on directors (continued)**

|                                      |   |
|--------------------------------------|---|
| Name:                                | Patrick Grove   |
| Title:                               | Non-independent, non-executive Director and Chairman  |
| Qualifications                       | CA, B. COMM   |
| Experience and expertise:            | Board member and Chairman (until June 2015). Mr Grove is a co-founder of Ensogo. Mr Grove's experience and expertise include mergers and acquisitions and extraction of investment value in high growth, media and technology environments. Mr Grove has built a number of significant media and internet businesses across Asia and has taken four businesses from start up to initial public offer. He has been independently recognised with numerous international awards, including as a Global Leader of Tomorrow by the World Economic Forum, a New Asian Leader by the World Economic Forum, the Australian Chamber of Commerce, Singapore, Young Entrepreneur of the Year and Business Week's Best Young Asian Entrepreneurs. Mr Grove has a Bachelor of Commerce degree with a major in Accounting and Finance from the University of Sydney. |
| Other current directorships:         | Mr Grove is Chief Executive Officer, Chairman and major shareholder of Catcha Group, one of South East Asia's most dynamic investment groups. Mr Grove is also the Chairman of iCar Asia Ltd, an ASX-listed company and a director of Rev Asia Berhad, a Malaysian-listed company.  |
| Former directorships (last 3 years): | None  |
| Special responsibilities:            | None  |
| Interests in shares:                 | Patrick Grove and Lucas Elliott together have an effective 14.13% interest through Catcha Group which holds 5,310,023 shares in the Company.  |

**Information on directors (continued)**

|                                      |  |
|--------------------------------------|--|
| Name:                                | Erman Akinci   |
| Title:                               | Non-independent, non-executive Director  |
| Qualifications                       | B. SC  |
| Experience and expertise:            | Board member since November 2013. Mr Akinci specialises in the sourcing and development of new business opportunities in the online space in Asia. Mr Akinci is a founder of Dealmates and the Director of Business Development for Catcha Group, where he is responsible for deal origination and integration. Mr Akinci has a Bachelor of Science in Electrical Engineering from Pennsylvania State University, USA.   |
| Other current directorships:         | None   |
| Former directorships (last 3 years): | None   |
| Special responsibilities:            | None   |
| Interests in shares:                 | 4,688  |
|                                      |  |
| Name:                                | Nick Geddes  |
| Title:                               | Independent, non-executive Director, Chairman of Audit, Business Risk and Compliance Committee   |
| Qualifications                       | FCA, FCIS, FGIA  |
| Experience and expertise:            | Mr Nick Geddes was appointed Director and Company Secretary in August 2013 and resigned as Company Secretary on 1 January 2016. He ran a company secretarial practice that focused on ASX Listed Companies for over 20 years. Mr Geddes is a past President of Chartered Secretaries Australia. His previous experience, as a Chartered Accountant and Company Secretary, includes investment banking and development and venture capital in Europe, Africa, the Middle East and Asia. |
| Other current directorships:         | No other listed company directorship   |
| Former directorships (last 3 years): | iCar Asia Limited, iProperty Group Limited   |
| Special responsibilities:            | Member of the Audit, Business Risk and Compliance Committee (Committee Chairman from July 2015) and member of the Remuneration and Nomination Committee (Committee Chairman from February 2016).   |
| Interests in shares:                 | 15,365   |

**Information on directors (continued)**

|                                      |   |
|--------------------------------------|---|
| Name:                                | Thomas Baum   |
| Title:                               | Non-independent, non-executive Director   |
| Qualifications                       | Dipl. Kaufmann, CEMS Master   |
| Experience and expertise:            | Board member since July 2014. Since 2011 he has been managing director and CFO of the global e-commerce holding company Rebate Networks which started more than 30 e-commerce/ daily deal companies in Asia, Eastern Europe and South America. Formerly he was the managing director and CFO of StudiVZ, the largest German social network at that time. He founded his first e-commerce business end of 1999 and is currently involved in several start-ups as business angel Mr.Baum studied at the University of Cologne and at the HEC (Hautes Études Commerciales) in Paris and has a Diploma (Master-Degree) in Business Administration and a CEMS MIM. |
| Other current directorships:         | Managing Director of Rebate Networks GmbH, MJ SEA Group Pte. Ltd. Singapore and Cat Dong Trading and Services Joint Stock Company, Vietnam.   |
| Former directorships (last 3 years): | None  |
| Special responsibilities:            | None  |
| Interests in shares:                 | 5,140   |
| Name:                                | David Gu  |
| Title:                               | Non-independent, non-executive Director   |
| Qualifications                       | MBA, MIT Sloan  |
| Experience and expertise:            | Board member since February 2015, when Vipshop made an investment in Ensogo, Mr. Gu currently serves as Senior Director of Corporate Development and Corporate Strategy in Vipshop, a leading online discount retailer for brands in China. Before Vipshop, he was a venture capitalist, Vice President at Lightspeed Venture Partners in China, and a strategy consultant, Project Leader at BCG Shanghai office. He received MBA degree from the MIT Sloan School of Management, and Bachelor's degree in EE from Shanghai Jiao Tong University in China.   |
| Other current directorships:         | SRP GROUPE ( <a href="http://www.showroomprive.com">www.showroomprive.com</a> )   |
| Former directorships (last 3 years): | None  |
| Special responsibilities:            | None  |
| Interests in shares:                 | Nil   |

**Ensogo Limited**  
**Directors' report**  
**31 December 2015**  
(continued)

**Information on directors (continued)**

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

**Meetings of directors**

The numbers of meeting of the Company's board of Directors and of each board committee held during the year ended 31 December 2015, and the number of meetings attended by each Director were:

|               | Full board |      | Remuneration and Nomination Committee |      | Audit and Risk Committee |      |
|---------------|------------|------|---------------------------------------|------|--------------------------|------|
|               | Attended   | Held | Attended                              | Held | Attended                 | Held |
| Sam Weiss     | 12         | 14   | -                                     | -    | -                        | -    |
| Erman Akinci  | 13         | 14   | -                                     | -    | 4                        | 7    |
| Thomas Baum   | 14         | 14   | -                                     | -    | 7                        | 7    |
| Lucas Elliott | 13         | 14   | -                                     | -    | -                        | -    |
| Nick Geddes   | 14         | 14   | -                                     | -    | 7                        | 7    |
| Patrick Grove | 14         | 14   | -                                     | -    | -                        | -    |
| David Gu      | 9          | 12   | -                                     | -    | -                        | -    |

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

**Company Secretary**

Nick Geddes served as the company secretary of Ensogo Limited throughout 2015 and had resigned from this position effective 1 January 2016. Nick Geddes' qualifications, experience and expertise are disclosed on page 8 under Information on Directors.

Mark Licciardo was appointed as Ensogo Limited's company secretary effective 1 January 2016. Mark Licciardo (B Bus (Acc), GradDip CSP, FGIA, GAICD) is the founder and Managing Director of Mertons Corporate Services. He has extensive experience in working with Boards of Directors of high profile ASX-listed companies in the areas of corporate governance, accounting and finance, and company secretarial practices during a 30-year corporate career in banking and finance, funds management, investment, infrastructure development and in the establishment and management of a consulting business. A former Company Secretary of Top 50 ASX listed companies Transurban Group and Australian Foundation Investment Company Limited, Mark is also the former Chairman of the Governance Institute of Australia (GIA ) Victoria division and Melbourne Fringe Festival, and a current non-executive Director of a number of public and private companies.

**Remuneration report (audited)**

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration

**Remuneration report (audited) (continued)**

- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

***Principles used to determine the nature and amount of remuneration***

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- incentive for executives

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its executives. The performance of the group depends on the quality of the executive team and its ability to work together to deliver results. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel, and is structured to:

- reward capability and performance
- reflect competitive rewards for contribution to growth in shareholder wealth
- provide a clear structure for earning rewards

In accordance with best practice corporate governance, the structure and review of non-executive directors and executive remunerations is separate.

***Non-executive directors' remuneration***

Under the Constitution, the directors decide the total amount paid to all directors as remuneration for their services as a director. Under the Listing Rules of the ASX, the total amount paid to all directors for their services must not exceed in aggregate in any financial year the amount fixed at an Ensogo Limited Annual General Meeting. This amount has been fixed by Ensogo at \$650,000. Statutory superannuation is also payable on fees paid to directors.

Under its Charter, the Remuneration and Nomination Committee must have at least two members, all of whom must be non-executive directors; a majority of independent directors and the chairman of the committee must be independent. Sam Weiss, Lucas Elliott and Nick Geddes are members of the Committee, which is now chaired by Mr Geddes.

***Executive remuneration***

The Group aims to reward executives with a level and mix of remuneration based on their position and responsibility, which has both fixed and variable components.

The executive remuneration and reward framework has the following components:

- base pay and non-monetary benefits
- short-term and long-term performance incentives

**Remuneration report (audited) (continued)**

***Principles used to determine the nature and amount of remuneration (continued)***

*Executive remuneration (continued)*

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary and non-monetary benefits, are reviewed by the Remuneration and Nomination Committee, based on individual performance, the overall performance of the group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example medical insurance paid for the Chief Executive Officer).

The short-term incentive ('STI') program is designed to align the strategic and financial goals of the business with the targets of those executives in charge of meeting the targets. STI payments are granted to executives at the discretion of the company and based on achievement of key performance indicators ('KPI's') as set from time to time by the company. STIs are payable in cash or a mix of cash and shares.

The long-term incentive ('LTI') program is designed to retain key executives and to reward performance that enhances shareholder value and will be made using share-based payments. Shares are awarded to executives at the discretion of the company based on long-term incentive measures. These may include increase in shareholders' value in absolute terms, relative to the entire market and the increase compared to the Group's direct competitors.

*Voting and comments made at the company's 2014 Annual General Meeting ('AGM')*

At the 2014 AGM, in excess of 75% of the votes received supported the adoption of the remuneration report for the financial year ended 31 December 2014. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

***Details of remuneration***

*Amounts of remuneration*

Details of the remuneration of the key management personnel of the group are set out in the following tables.

The key management personnel of the Group consisted of the directors of Ensogo Limited and the following persons:

- Kris Marszalek - Chief Executive Officer
- Rafael Melo - Chief Financial Officer

**Remuneration report (audited) (continued)**

**Details of remuneration (continued)**

*Amounts of remuneration (continued)*

|  | Short-term benefits  |       | Post-employment benefits | Long-term benefits | Share-based payments |                  |
|--|----------------------|-------|--------------------------|--------------------|----------------------|------------------|
|  | Cash salary and fees | Bonus | Equity-settled           | Super-annuation    | Long service leave   | Equity-settled   |
|  | \$                   | \$    | \$                       | \$                 | \$                   | \$               |
| <b>2015</b>                            |                      |       |                          |                    |                      |                  |
| <b>Non-Executive Directors:</b>        |                      |       |                          |                    |                      |                  |
| Sam Weiss                              | -                    | -     | 85,096                   | -                  | -                    | -                |
| Lucas Elliott                          | -                    | -     | 70,000                   | -                  | -                    | -                |
| Patrick Grove                          | -                    | -     | 79,808                   | -                  | -                    | -                |
| Erman Akinci                           | -                    | -     | 70,000                   | -                  | -                    | -                |
| Nick Geddes                            | -                    | -     | 74,521                   | -                  | -                    | -                |
| Thomas Baum                            | -                    | -     | 70,000                   | -                  | -                    | -                |
| David Gu*                              | -                    | -     | 59,068                   | -                  | -                    | -                |
| <b>Other Key Management Personnel:</b> |                      |       |                          |                    |                      |                  |
| Kris Marszalek                         | 412,342              | -     | -                        | 3,094              | -                    | -                |
| Rafael Melo                            | 290,735              | -     | -                        | 10,016             | -                    | -                |
|  | <u>703,077</u>       | -     | <u>508,493</u>           | <u>13,110</u>      | -                    | <u>-</u>         |
|  |                      |       |                          |                    |                      | <u>1,224,680</u> |

\* Appointed on 27 February 2015

Nick Geddes was engaged as the Company secretary of Ensogo Limited through a consultancy agreement between the Company and Australian Company Secretaries Pty Ltd, of which Mr Geddes is a principal. Australian Company Secretaries Pty Ltd charged Ensogo approximately \$5,000 per month for the provision of Mr Geddes' services. Services amounting to \$60,000 (2014: \$60,000) were provided to the Group during the financial year.

Mr Geddes resigned as company secretary effective 1 January 2016 and accordingly, Australian Company Secretaries Pty Ltd ceased the provision of Mr Geddes services at that same date.

Equity settled short-term benefits are shares in the Company granted to directors as their annual remuneration and are yet to be issued as at the date of this report.

**Remuneration report (audited) (continued)**

**Details of remuneration (continued)**

*Amounts of remuneration (continued)*

|  | Short-term benefits  |       |              | Post-employment benefits | Long-term benefits | Share-based payments |         |
|--|----------------------|-------|--------------|--------------------------|--------------------|----------------------|---------|
|  | Cash salary and fees | Bonus | Non-monetary | Super-annuation          | Long service leave | Equity-settled       | Total   |
|  | \$                   | \$    | \$           | \$                       | \$                 | \$                   | \$      |
| <b>2014</b>                            |                      |       |              |                          |                    |                      |         |
| <b>Non-Executive Directors:</b>        |                      |       |              |                          |                    |                      |         |
| Patrick Grove                          | -                    | -     | -            | -                        | -                  | 90,000               | 90,000  |
| Lucas Elliott                          | -                    | -     | -            | -                        | -                  | 70,000               | 70,000  |
| Sam Weiss                              | -                    | -     | -            | -                        | -                  | 80,000               | 80,000  |
| Erman Akinci                           | -                    | -     | -            | -                        | -                  | 70,000               | 70,000  |
| Nick Geddes                            | -                    | -     | -            | -                        | -                  | 70,000               | 70,000  |
| Thomas Baum *                          | -                    | -     | -            | -                        | -                  | 34,712               | 34,712  |
| <b>Other Key Management Personnel:</b> |                      |       |              |                          |                    |                      |         |
| Patrick Linden **                      | 227,837              | -     | -            | -                        | -                  | -                    | 227,837 |
| Kris Marszalek **                      | 148,317              | -     | -            | 1,182                    | -                  | -                    | 149,499 |
| Rafael Melo***                         | 122,751              | -     | -            | 6,190                    | -                  | -                    | 128,941 |
|  | 498,905              | -     | -            | 7,372                    | -                  | 414,712              | 920,989 |

\* Appointed on 4 July 2014

\*\* Patrick Linden resigned on 13 August 2014 followed by the appointment of Kris Marszalek on 13 August 2014

\*\*\* Appointed on 23 June 2014

Until 30 June 2014, the services of the Chief Financial Officer, Andrew Bursill, were provided according to the terms of a consultancy agreement between the Company and Franks & Associates Pty Ltd, of which Mr Bursill is principal. Under the agreement, Franks & Associates charged the Company for time spent performing the Chief Financial Officer's function at an hourly rate. During 2014, fees relating to accounting services of \$29,135 were paid to Franks & Associates Pty Ltd while Andrew Bursill was acting CFO of the Company.

Rafael Melo replaced Andrew Bursill as Chief Financial Officer from 23 June 2014.

Equity settled short-term benefits are shares in the Company granted to Directors as their annual remuneration and were issued to Directors or an entity nominated by them on 24 April 2015.



**Remuneration report (audited) (continued)**

***Details of remuneration (continued)***

*Amounts of remuneration (continued)*

The proportion of remuneration linked to performance and the fixed proportion are as follows:

| Name  | Fixed remuneration |      | At risk - LTI |      | At risk - STI |      |
|---|--------------------|------|---------------|------|---------------|------|
|   | 2015               | 2014 | 2015          | 2014 | 2015          | 2014 |
| <b><i>Non-Executive Directors:</i></b>        |                    |      |               |      |               |      |
| Sam Weiss                                     | 100%               | 100% | -%            | -%   | -%            | -%   |
| Lucas Elliott                                 | 100%               | 100% | -%            | -%   | -%            | -%   |
| Patrick Grove                                 | 100%               | 100% | -%            | -%   | -%            | -%   |
| Erman Akinci                                  | 100%               | 100% | -%            | -%   | -%            | -%   |
| Nick Geddes                                   | 100%               | 100% | -%            | -%   | -%            | -%   |
| Thomas Baum                                   | 100%               | 100% | -%            | -%   | -%            | -%   |
| David Gu *                                    | 100%               | -%   | -%            | -%   | -%            | -%   |
| <b><i>Other Key Management Personnel:</i></b> |                    |      |               |      |               |      |
| Kris Marszalek                                | 100%               | 100% | -%            | -%   | -%            | -%   |
| Rafael Melo                                   | 100%               | 100% | -%            | -%   | -%            | -%   |

\* Appointed on 27 February 2015

***Service agreements***

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Kris Marszalek

Title: Chief Executive Officer

Agreement commenced: 13 August 2014

Term of agreement: 3 years. The employment agreement can be terminated by either party at any time by giving six months' notice.

Details: Mr Marszalek is entitled to a base salary of USD \$300,000 per annum (this is equivalent to approximately AUD\$411,294 as at 31 December 2015). The company will also pay the costs of Mr Marszalek's medical insurance. Mr Marszalek may be paid a short term incentive of up to USD\$150,000 per year, payable in cash. Payment of the short term incentive is at the discretion of the company. Mr Marszalek may also be paid a long term incentive of up to USD\$150,000 per year, payable in shares. Payment of the long term incentive is at the discretion of the Company and will be subject to time and performance hurdles.

**Remuneration report (audited) (continued)**

***Service agreements (continued)***

|                      |   |
|----------------------|---|
| Name:                | Rafael Melo   |
| Title:               | Chief Financial Officer   |
| Agreement commenced: | 23 June 2014  |
| Term of agreement:   | The employment agreement can be terminated by either party at any time by giving three months' notice.  |
| Details:             | Mr Melo is entitled to a base salary of \$300,000 Singapore dollars per annum (this is equivalent to approximately AUD\$290,481 as at 31 December 2015). Mr Melo may be paid a short term incentive of up to AUD \$116,192 per year, payable in cash or a mix of cash and shares. Payment of the short term incentive is at the discretion of the Company. Mr Melo may also be paid a long term incentive of up to AUD \$116,192 per year, payable in shares. Payment of the long term incentive is at the discretion of the Company and will be subject to time and performance hurdles. |

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

***Short-term benefits***

The number of fully paid ordinary shares issued to Directors as their remuneration for 2014 during the financial year ended 31 December 2015 is as disclosed in 'Additional disclosures relating to key management personnel - share holdings' below. These fully paid ordinary shares were allotted to the directors or entity nominated by them, on 24 April 2015, at a valuation of \$0.3377 per share were approved by the shareholders at the Annual General Meeting held on 22 April 2015, and priced in line with agreements with Directors being the weighted average price for the period 2 January 2014 to 31 December 2014.

***Share-based compensation***

*Issue of shares*

No shares were issued to Directors and other key management personnel as part of compensation during the financial year ended 31 December 2015.

*Options*

No options over ordinary shares were issued or on issue to Directors and other key management personnel as part of compensation as at 31 December 2015.

**Remuneration report (audited) (continued)**

***Additional disclosures relating to key management personnel***

*Share holdings*

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

|                                 | Balance at<br>the start of<br>financial<br>year | Received as<br>part of 2014<br>remuneration** | Additions* | Disposals/<br>Other | Consolidation<br>of shares | Balance at<br>the end of<br>financial<br>year |
|---------------------------------|---|---|------------|---------------------|----------------------------|---|
| <b><i>Ordinary Shares</i></b>   |   |   |            |                     |                            |   |
| <b><i>Direct Interest</i></b>   |   |   |            |                     |                            |   |
| Sam Weiss                       | -   | -   | -          | -                   | -                          | -   |
| Lucas Elliot                    | -   | -   | -          | -                   | -                          | -   |
| Patrick Grove                   | -   | -   | -          | -                   | -                          | -   |
| Erman Akinci                    | 93,750  | -   | -          | -                   | (89,062)                   | 4,688   |
| Nick Geddes                     | 100,000   | 207,285                                       | -          | -                   | (291,920)                  | 15,365  |
| Thomas Baum                     | -   | 102,790                                       | -          | -                   | (97,650)                   | 5,140   |
| David Gu                        | -   | -   | -          | -                   | -                          | -   |
| Kris Marszalek                  | -   | -   | -          | -                   | -                          | -   |
| Rafael Melo                     | -   | -   | -          | -                   | -                          | -   |
| <b><i>Indirect interest</i></b> |   |   |            |                     |                            |   |
| Sam Weiss                       | 1,269,097                                       | 236,897                                       | -          | -                   | (1,630,693)                | 75,301  |
| Lucas Elliot                    | 105,519,381                                     | 681,079                                       | -          | -                   | (100,890,437)              | 5,310,023                                     |
| Patrick Grove                   | 105,519,381                                     | 681,079                                       | -          | -                   | (100,890,437)              | 5,310,023                                     |
| Erman Akinci                    | -   | -   | -          | -                   | -                          | -   |
| Nick Geddes                     | -   | -   | -          | -                   | -                          | -   |
| Thomas Baum                     | -   | -   | -          | -                   | -                          | -   |
| David Gu                        | -   | -   | -          | -                   | -                          | -   |
| Kris Marszalek                  | 50,888,364                                      | -   | -          | -                   | (48,343,945)               | 2,544,419                                     |
| Rafael Melo                     | -   | -   | -          | -                   | -                          | -   |

\* On-market trade

\*\* Shares issued in 2015 to Directors or Director's nominated companies were in relation to Director's remuneration of 2014.

Sam Weiss has an effective interest through Mutual Appreciation Security Pty Ltd (Garb-Weiss Super Fund) and Southern Skies Pty Ltd which hold 62,084 ordinary shares and 13,217 ordinary shares respectively as at 31 December 2015. Sam Weiss is a shareholder and director in both of three companies.

**Remuneration report (audited) (continued)**

***Additional disclosures relating to key management personnel (continued)***

Lucas Elliott and Patrick Grove are co-founders of Catcha Group Pte Ltd and together have an effective interest in the Company. During the financial year, they were allotted 473,794 ordinary shares being their remuneration as directors of the Company. These shares together with another 207,285 ordinary shares allotted to Erman Akinci as his Director's remuneration, were issued to Catcha Group Pte Ltd. Their combined interest, after the consolidation of shares exercise stand at 5,310,023 ordinary shares as at 31 December 2015.

Thomas Baum is a director in Rebate Networks which holds 2,746,942 ordinary shares in the Company as at 31 December 2015. Thomas Baum does not own any shares in Rebate Networks.

David Gu is a director in Vipshop which holds 3,806,676 ordinary shares in the company as at 31 December 2015. David Gu does not own any shares in Vipshop.

Kris Marszalek has an effective interest through Middle Kingdom Capital Group which holds 2,544,419 ordinary shares as at 31 December 2015. Kris Marszalek has a 50% shareholding in Middle Kingdom Capital Group

***Shares under option***

There were no unissued ordinary shares of Ensogo Limited under option outstanding at the date of this report.

***This concludes the remuneration report, which has been audited.***

**Indemnity and insurance of officers**

The Company has entered into deeds of access, indemnity and insurance with each director.

The deeds set out each Director's right of access to certain books and records of the Company for a period of seven years after the Director ceases to hold office in the event that litigation is brought against the Director as a consequence of his role. This seven year period can be extended where certain proceedings or investigations commence before the seven years expires.

The Company has entered into an agreement with each director to indemnify those parties against all liabilities to another person that may arise from their position as director or other officer of the Company or its subsidiaries to the extent permitted by law. The deed stipulates that the Company will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

The Company has entered into an agreement with each director to obtain such insurance during each director's period of office and for a period of seven years after a director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven years expires.

During the financial year, the Company paid a premium of \$84,757 in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

### **Indemnity and insurance of auditor**

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

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

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

### **Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 27 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

### **Officers of the company who are former audit partners of PricewaterhouseCoopers**

There are no officers of the company who are former audit partners of PricewaterhouseCoopers.

**Ensogo Limited**  
**Directors' report**  
**31 December 2015**  
(continued)

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

**Auditor**

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

**Ensogo Limited**  
**Directors' report**  
**31 December 2015**  
(continued)

This report is made in accordance with a resolution of Directors pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink that reads "Sam Weiss". The signature is written in a cursive, flowing style.

Sam Weiss  
Chairman



## Auditor's Independence Declaration

As lead auditor for the audit of Ensogo Limited for the year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Ensogo Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'J. Roberts' with a stylized flourish at the end.

Jon Roberts  
Partner  
PricewaterhouseCoopers

Melbourne  
29 February 2016

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

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# **Ensogo Limited** ACN 165 522 887

## **Annual report - 31 December 2015**

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### **General information**

The financial statements cover Ensogo Limited as a group consisting of Ensogo Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is Ensogo Limited's functional and presentation currency.

Ensogo Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 7, 330 Collins Street  
Melbourne  
VIC 3000

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 29 February 2016. The Directors have the power to amend and reissue the financial statements.

The financial statements were authorised for issue by the Directors on 29 February 2016. The Directors have the power to amend and reissue the financial statements.

**Ensogo Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 31 December 2015**

|  | Notes | Consolidated<br>2015<br>\$ | 2014<br>\$                  |
|--|-------|----------------------------|-----------------------------|
| <b>Revenue</b>   | 4     | 59,336,789                 | 64,829,978                  |
| Other income   | 5     | 591,506                    | 271,505                     |
| <b>Expenses</b>  |       |                            |                             |
| Depreciation and amortisation  | 6     | (6,778,469)                | (7,235,567)                 |
| Impairment of assets   | 15    | (49,292,757)               | (46,976,050)                |
| Cost of sales  |       | (47,159,356)               | (38,769,631)                |
| Marketing  |       | (6,828,357)                | (4,061,520)                 |
| Administration   | 6     | (27,208,284)               | (37,319,337)                |
| Other expenses   | 6     | (2,934,390)                | (1,897,979)                 |
| <b>Loss before income tax benefit</b>  |       | <u>(80,273,318)</u>        | <u>(71,158,601)</u>         |
| Income tax benefit   | 7     | 515,903                    | 3,780,962                   |
| <b>Loss after income tax expense for the financial year attributable to the owners of Ensogo Limited</b> | 22    | <u>(79,757,415)</u>        | <u>(67,377,639)</u>         |
| <i>Item that may be reclassified subsequently to profit or loss</i>                                      |       |                            |                             |
| Foreign currency translation   |       | 1,524,867                  | (747,532)                   |
| <b>Other comprehensive income for the financial year, net of tax</b>                                     |       | <u>1,524,867</u>           | <u>(747,532)</u>            |
| <b>Total comprehensive income for the financial year</b>   |       | <u>(78,232,548)</u>        | <u>(68,125,171)</u>         |
|  |       | <b>Cents</b>               | <b>Cents<br/>(Restated)</b> |
| Basic earnings per share   | 33    | (247.84)                   | (331.60)                    |
| Diluted earnings per share   | 33    | (247.84)                   | (331.60)                    |

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

**Ensogo Limited**  
**Statement of financial position**  
**As at 31 December 2015**

|                                     |              | <b>Consolidated</b> |                   |
|-------------------------------------|--------------|---------------------|-------------------|
|                                     |              | <b>2015</b>         | <b>2014</b>       |
|                                     | <b>Notes</b> | <b>\$</b>           | <b>\$</b>         |
| <b>ASSETS</b>                       |              |                     |                   |
| <b>Current assets</b>               |              |                     |                   |
| Cash and cash equivalents           | 8            | 29,006,641          | 6,350,512         |
| Trade and other receivables         | 9            | 1,795,261           | 2,227,197         |
| Inventories                         | 10           | 1,571,440           | 1,584,651         |
| Other                               | 11           | 1,744,248           | 2,084,971         |
| Total current assets                |              | <u>34,117,590</u>   | <u>12,247,331</u> |
| <b>Non-current assets</b>           |              |                     |                   |
| Receivables                         | 12           | 2,846,915           | 2,439,568         |
| Available-for-sale financial assets | 13           | 685,899             | 654,296           |
| Property, plant and equipment       | 14           | 917,152             | 1,513,488         |
| Intangible assets                   | 15           | 811,826             | 55,651,375        |
| Other                               |              | 45,814              | 60,556            |
| Total non-current assets            |              | <u>5,307,606</u>    | <u>60,319,283</u> |
| <b>Total assets</b>                 |              | <u>39,425,196</u>   | <u>72,566,614</u> |
| <b>LIABILITIES</b>                  |              |                     |                   |
| <b>Current liabilities</b>          |              |                     |                   |
| Trade and other payables            | 16           | 24,060,597          | 31,460,309        |
| Provisions                          | 17           | 194,719             | 302,646           |
| Total current liabilities           |              | <u>24,255,316</u>   | <u>31,762,955</u> |
| <b>Non-current liabilities</b>      |              |                     |                   |
| Deferred tax liabilities            | 18           | -                   | 519,642           |
| Provisions                          | 19           | 11,516              | 10,860            |
| Total non-current liabilities       |              | <u>11,516</u>       | <u>530,502</u>    |
| <b>Total liabilities</b>            |              | <u>24,266,832</u>   | <u>32,293,457</u> |
| <b>Net assets</b>                   |              | <u>15,158,364</u>   | <u>40,273,157</u> |
| <b>EQUITY</b>                       |              |                     |                   |
| Share capital                       | 20           | 162,112,809         | 108,995,054       |
| Reserves                            | 21           | 736,181             | (788,686)         |
| Accumulated losses                  | 22           | (147,690,626)       | (67,933,211)      |
| <b>Total equity</b>                 |              | <u>15,158,364</u>   | <u>40,273,157</u> |

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

**Ensogo Limited**  
**Statement of changes in equity**  
**For the year ended 31 December 2015**

| <b>Consolidated</b>  | <b>Issued<br/>capital<br/>\$</b> | <b>Foreign<br/>currency<br/>reserve<br/>\$</b> | <b>Accumulated<br/>losses<br/>\$</b> | <b>Total<br/>equity<br/>\$</b> |
|--|----------------------------------|--|--------------------------------------|--------------------------------|
| <b>Balance at 1 January 2014</b>                             | 80,488,262                       | (41,154)                                       | (555,572)                            | 79,891,536                     |
| Loss after income tax benefit for the financial year         | -                                | -  | (67,377,639)                         | (67,377,639)                   |
| Other comprehensive income                                   | -                                | (747,532)                                      | -                                    | (747,532)                      |
| <b>Total comprehensive income for the financial year</b>     | -                                | <b>(747,532)</b>                               | <b>(67,377,639)</b>                  | <b>(68,125,171)</b>            |
| <b>Transactions with owners in their capacity as owners:</b> |                                  |  |                                      |                                |
| Contributions of equity, net of transaction costs and tax    | 28,506,792                       | -  | -                                    | 28,506,792                     |
| <b>Balance at 31 December 2014</b>                           | <b>108,995,054</b>               | <b>(788,686)</b>                               | <b>(67,933,211)</b>                  | <b>40,273,157</b>              |
| <b>Balance at 1 January 2015</b>                             | 108,995,054                      | (788,686)                                      | (67,933,211)                         | 40,273,157                     |
| Loss after income tax benefit for the financial year         | -                                | -  | (79,757,415)                         | (79,757,415)                   |
| Other comprehensive income                                   | -                                | 1,524,867                                      | -                                    | 1,524,867                      |
| <b>Total comprehensive income for the financial year</b>     | -                                | <b>1,524,867</b>                               | <b>(79,757,415)</b>                  | <b>(78,232,548)</b>            |
| <b>Transactions with owners in their capacity as owners:</b> |                                  |  |                                      |                                |
| Contributions of equity, net of transaction costs and tax    | 53,117,755                       | -  | -                                    | 53,117,755                     |
| <b>Balance at 31 December 2015</b>                           | <b>162,112,809</b>               | <b>736,181</b>                                 | <b>(147,690,626)</b>                 | <b>15,158,364</b>              |

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

**Ensogo Limited**  
**Statement of cash flows**  
**For the year ended 31 December 2015**

|   |              | <b>Consolidated</b> |                     |
|---|--------------|---------------------|---------------------|
|   |              | <b>2015</b>         | <b>2014</b>         |
|   | <b>Notes</b> | <b>\$</b>           | <b>\$</b>           |
| <b>Cash flows from operating activities</b>                       |              |                     |                     |
| Receipts from customers   |              | 116,422,746         | 135,575,697         |
| Payments to suppliers and employees                               |              | (146,227,715)       | (147,106,041)       |
|   |              | (29,804,969)        | (11,530,344)        |
| Interest received   |              | 285,825             | 61,890              |
| <b>Net cash (outflow) from operating activities</b>               | 32           | <u>(29,519,144)</u> | <u>(11,468,454)</u> |
| <b>Cash flows from investing activities</b>                       |              |                     |                     |
| Payments for purchase of subsidiary, net of cash acquired         |              | -                   | (18,692,118)        |
| Payments for investments  |              | -                   | (494,876)           |
| Payments for property, plant and equipment                        |              | (289,594)           | (956,283)           |
| Payments for intangibles  |              | (206,611)           | (289,505)           |
| Proceeds from sale of property, plant and equipment               |              | 3,635               | -                   |
| <b>Net cash (outflow) from investing activities</b>               |              | <u>(492,570)</u>    | <u>(20,432,782)</u> |
| <b>Cash flows from financing activities</b>                       |              |                     |                     |
| Proceeds from issues of shares and other equity securities        | 20           | 54,470,963          | 29,942,324          |
| Share issue transaction costs                                     |              | (1,803,120)         | (2,153,157)         |
| Repayment of shareholder loan                                     |              | -                   | (117,490)           |
| <b>Net cash inflow from financing activities</b>                  |              | <u>52,667,843</u>   | <u>27,671,677</u>   |
| <b>Net increase (decrease) in cash and cash equivalents</b>       |              | 22,656,129          | (4,229,559)         |
| Cash and cash equivalents at the beginning of the financial year  |              | 6,350,512           | 10,580,071          |
| <b>Cash and cash equivalents at the end of the financial year</b> | 8            | <u>29,006,641</u>   | <u>6,350,512</u>    |

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

## **Note 1 Significant accounting policies**

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

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

The Group has applied the following standards and amendments for first time for their annual reporting period commencing 1 January 2015.

#### *AASB 13 - Confirmation of measurement on short term receivables and payables*

The Group has applied AASB 13 from 1 January 2015. AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. The standard defines fair value as 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 (exit price).

#### *AASB 8 - Requirement to disclose changes in the measurement method for operating segment.*

The Group has applied new requirement of AASB 8 since 1 January 2015. AASB 8 requires disclosure of the nature of any changes in the measurement methods used to determine reported segment profit or loss and the effect, if any, of those changes on the measure of segment profit or loss. There is no specific requirement to explain the impact of measurement changes on reported segment assets and liabilities. However, if the change in accounting policy had a material impact on the reported segment assets and/or segment liabilities, information about this would be relevant to the understanding of the segment information and hence should be provided. The Group does not have any change in measurement method of operating segment since last financial year.

### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001* as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

#### *Going Concern*

In the year ended 31 December 2015 the Group incurred a loss after income tax of \$79,757,415, including impairment charges of \$49,292,757. In addition, the Group recorded a net operating cash outflow of \$29,519,144.

Whilst the Group has net current assets of \$9,862,274 and cash and cash equivalents of \$29,006,641, the Group has taken the following actions:

- Management has prepared, and the Board has approved, plans within the financial year 2016 budget to increase revenue and reduce costs by:
  - (i) Opening the Ensogo platform to local market and cross border 3rd party sellers to expand the number of suppliers and products carried. This will in turn grow customer numbers, revenue and margins achieved whilst enabling the Group to reduce internal costs associated with product sourcing, production and distribution.
  - (ii) Launching the new Ensogo mobile application to personalise product feeds for every user.

## **Note 1 Significant accounting policies (continued)**

### **Basis of preparation (continued)**

- The Board has approved the financial year 2016 budget and associated plans to reduce the Group's cash outflow through a cost management program throughout the organisation which will address marketing spend, staff costs and operating and administration costs

The directors believe that the Group will be successful in growing revenue and reducing operating expenses in line with the financial 2016 budget and working within available funding, accordingly the financial report has been prepared on a going concern basis.

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

### **Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the group only. Supplementary information about the parent entity is disclosed in note 29.

### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Ensogo Limited ('Company' or 'parent entity') as at 31 December 2015 and the results of all subsidiaries for the financial year then ended. Ensogo Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

In preparing the consolidated financial information, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions, have been eliminated in full. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. The financial information of subsidiaries is prepared for the same reporting period as the parent using consistent accounting policies. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

## **Note 1 Significant accounting policies (continued)**

### **Principles of consolidation (continued)**

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### **Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### **Foreign currency translation**

Ensogo Limited's functional currency is Australian dollars. The functional currency of the Ensogo subsidiaries in Malaysia is the Ringgit, Hong Kong is the Hong Kong \$, Singapore is Singapore \$, Philippines Peso (PHP), Thai Baht (THB) and Indonesian Rupiah (IDR). For the purposes of the consolidated financial statements of Ensogo Limited, the results and financial position of each entity is expressed in Australian Dollars, which is the presentation currency for the consolidated financial statements.

#### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. The consolidated entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the consolidated entity and the specific criteria have been met for each of the group's activities described below.

The consolidated entity assesses its revenue arrangements against specific criteria to determine if it is acting as the principal or the agent. This determination requires judgement and consideration of all relevant facts and circumstances. A principal recognises the gross sales price. Whereas for an agent, the amounts collected on behalf of the principal is not revenue. Instead, revenue is the amount of commission.



## **Note 1 Significant accounting policies (continued)**

### **Revenue recognition (continued)**

An entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. Features that indicate that the entity is acting as a principal include:

- (a) the entity has the primary responsibility for providing the goods or services to the customer or for fulfilling the order,
- (b) the entity has inventory risk before or after the customer order, during shipping or return,
- (c) the entity has latitude in establishing prices, either directly or indirectly, for example by providing additional goods or services, and
- (d) the entity bears the customer's credit risk for the amount receivable from the customer.

The entity is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services.

#### *Sale of goods*

Product revenue represents revenue from the sale of products where it is determined the entity is the principal. Product sales, net of return allowances, are recorded when the products are sold and the significant risks and rewards of ownership of the goods are transferred to the buyer at the point of despatch.

#### *Rendering of services*

Services revenue represent third-party seller fees earned (including commissions), and non-retail activities such as advertising services. Services revenue, net of refund allowances, is recognised when services have been rendered.

Return and refund allowances, which reduce revenue, are estimated using historical experience. Revenue from product sales and services rendered is recorded net of sales and consumption taxes.

#### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### *Other revenue*

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

### **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

## **Note 1 Significant accounting policies (continued)**

### **Income tax (continued)**

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

### **Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents consist of cash and short-term deposits are net of outstanding bank overdrafts.

## **Note 1 Significant accounting policies (continued)**

### **Trade and other receivables**

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when there is objective evidence that collection of the full amount is no longer probable. Bad debts are written off when identified.

### **Inventories**

Inventories, consisting of products available for sale, are primarily accounted for using the FIFO method, and are valued at the lower of cost or net realisable value. This valuation requires the company to make judgements, based on currently-available information, about the likely method of disposition and expected recoverable values of each disposition category. Where third party sellers use our websites to transact directly with customers, the third party sellers maintain ownership of their inventory, and therefore these products are not included in the inventory of the entity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### **Investments and other financial assets**

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the consolidated entity commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the entity has transferred substantially all the risks and rewards of ownership. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets, principally equity securities that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

## **Note 1 Significant accounting policies (continued)**

### **Investments and other financial assets (continued)**

#### *Impairment of financial assets*

The group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment loss for loans and receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash inflows, discounted at the original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

### **Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

|                        |          |
|------------------------|----------|
| Leasehold improvements | 20 - 50% |
| Fixtures & fittings    | 10 - 20% |
| Computer equipment     | 20 - 33% |
| Office equipment       | 20%      |

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### **Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

## **Note 1 Significant accounting policies (continued)**

### **Intangible assets (continued)**

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Significant costs associated with these intangibles are amortised on a straight-line basis over the period of their expected benefit. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated profit and loss statements in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. The CGUs identified are the businesses in which the intangible assets form part. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

#### *Goodwill*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the consolidated entity'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 forms part 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.

#### *Customer lists and brand names*

Customer lists and brand names acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being 3 years.

#### *Other finite life intangibles*

Significant costs associated with software, intellectual property and domain names are deferred and amortised on a straight-line basis over the period of their expected benefit, being 5 years.

### **Impairment of non-financial assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

## **Note 1 Significant accounting policies (continued)**

### **Impairment of non-financial assets (continued)**

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash inflows are grouped together to form a cash-generating unit.

### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 - 60 days of recognition.

### **Provisions**

Provisions are recognised when the group has a present (legal or constructive) obligation as a result of a past event, it is probable the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### **Employee benefits**

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expect future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

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

## **Note 1 Significant accounting policies (continued)**

### **Fair value measurement**

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### **Issued capital**

Ordinary shares are classified as equity issued and paid up capital is recognised at the fair value of the consideration received by the Company.

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.

### **Business combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

## **Note 1 Significant accounting policies (continued)**

### **Business combinations (continued)**

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of

- (i) 12 months from the date of the acquisition or
- (ii) when the acquirer receives all the information possible to determine fair value.

### **Earnings per share**

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Ensogo Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

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



## **Note 1 Significant accounting policies (continued)**

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

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2015 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

#### *AASB 9 Financial Instruments and its consequential amendments*

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model. The standard is not applicable until 1 January 2018 but is available for early adoption.

Following the changes approved by the AASB in December 2014, the Group no longer expects any impact from the new classification, measurement and derecognition rules on the Group's financial assets and financial liabilities. While the Group has yet to undertake a detailed assessment of the debt instruments currently classified as available-for-sale financial assets, it would appear that they would satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets. There will also be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule, it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation.

#### *AASB 15 Revenue from contracts with customers*

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on 1 January 2018, ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application. Management is currently assessing the impact of the new rules and has identified the following areas that are likely to be affected:

- extended warranties, which will need to be accounted for as separate performance obligation, which will delay the recognition of a portion of the revenue
- consignment sales where recognition of revenue will depend on the passing of control rather than the passing of risks and rewards
- IT consulting services where the new guidance may result in the identification of separate performance obligations which could again affect the timing of the recognition of revenue, and
- the balance sheet presentation of rights of return, which will have to be grossed up in future (separate recognition of the right to recover the goods from the customer and the refund obligation)

**Note 1 Significant accounting policies (continued)**

**New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)**

*AASB 15 Revenue from contracts with customers (continued)*

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months. The Group does not expect to adopt the new standard before 1 January 2018.

## **Note 2 Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### *Goodwill and other indefinite life intangible assets*

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

As a result of the completion of the impairment testing during the financial year, based on the higher of value-in-use and fair value less costs to sell calculations, goodwill has been impaired to the recoverable amounts of the cash generating units. Further explanation are disclosed in the intangibles notes to the financial statements in relation to valuation methodologies and assumptions used.

### *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. The consolidated entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the consolidated entity and the specific criteria have been met for each of the Group's activities described below.

The consolidated entity assesses its revenue arrangements against specific criteria to determine if it is acting as the principal or the agent. This determination requires judgement and consideration of all relevant facts and circumstances. A principal recognises the gross sales price. Whereas for an agent, the amounts collected on behalf of the principal is not revenue. Instead, revenue is the amount of commission.

An entity is acting as a principal when it has exposure to the significant risks and rewards associated with the sale of goods or the rendering of services. Features that indicate that the entity is acting as a principal include:

- (a) the entity has the primary responsibility for providing the goods or services to the customer or for fulfilling the order
- (b) the entity has inventory risk before or after the customer order, during shipping or return,
- (c) the entity has latitude in establishing prices, either directly or indirectly, for example by providing additional goods or services, and
- (d) the entity bears the customer's credit risk for the amount receivable from the customer.

**Note 2 Critical accounting judgements, estimates and assumptions (continued)**

*Revenue recognition (continued)*

The entity is acting as an agent when it does not have exposure to the significant risks and rewards associated with the sale of goods or the rendering of services.

**Note 3 Operating segments**

*Identification of reportable operating segments*

The Group is organised into geographical operating segments. These operating segments are based on internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The Group operates in only one business segment which is the e-Commerce segment.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group and operating segments are eliminated.

The Group's reportable segments are Hong Kong, Singapore, Malaysia, Thailand, Indonesia and Philippines. Unallocated amounts relate to corporate operations which are not determined to be an operating segment.

*Major customers*

The Group does not have a major customer that contributes 10% or more to its revenue for the current period with the exception of Kogan Australia Pty Ltd, a wholesale customer from Australia.

**Ensogo Limited**  
**Notes to the financial statements**  
**31 December 2015**  
 (continued)

**Note 3 Operating segments (continued)**

| Consolidated entity<br>2015             | Hong Kong<br>\$     | Singapore<br>\$     | Malaysia<br>\$      | Thailand<br>\$      | Indonesia<br>\$    | Philippines<br>\$  | Intersegment<br>eliminations /<br>Group<br>unallocated<br>\$ | Total<br>\$         |
|---|---------------------|---------------------|---------------------|---------------------|--------------------|--------------------|--|---------------------|
| Revenue                                 | 47,837,822          | 4,581,721           | 1,254,569           | 4,039,363           | 203,337            | 1,419,977          | -  | 59,336,789          |
| Expenses                                | (55,667,423)        | (6,057,329)         | (5,957,859)         | (10,754,478)        | (1,764,085)        | (5,422,165)        | (4,694,011)  | (90,317,350)        |
| Impairment expense                      | (8,939,792)         | (15,299,009)        | (9,874,186)         | (8,498,824)         | (2,556,406)        | (4,124,540)        | -  | (49,292,757)        |
| <b>Profit before income tax expense</b> | <b>(16,769,393)</b> | <b>(16,774,617)</b> | <b>(14,577,476)</b> | <b>(15,213,939)</b> | <b>(4,117,154)</b> | <b>(8,126,728)</b> | <b>(4,694,011)</b>   | <b>(80,273,318)</b> |
| Income tax expense                      | (52)                | (3,686)             | -                   | -                   | -                  | -                  | 519,641  | 515,903             |
| <b>Profit after income tax expense</b>  | <b>(16,769,445)</b> | <b>(16,778,303)</b> | <b>(14,577,476)</b> | <b>(15,213,939)</b> | <b>(4,117,154)</b> | <b>(8,126,728)</b> | <b>(4,174,370)</b>   | <b>(79,757,415)</b> |
| <b>Assets</b>                           |                     |                     |                     |                     |                    |                    |  |                     |
| Segment assets                          | 6,086,709           | 1,837,380           | 441,053             | 1,629,670           | 204,613            | 1,399,127          | 27,014,818   | 38,613,370          |
| Total remaining intangibles             | 289,782             | 93,524              | 72,669              | 33,774              | 68,666             | 68,517             | 184,894  | 811,826             |
| <b>Total segment assets</b>             | <b>6,376,491</b>    | <b>1,930,904</b>    | <b>513,722</b>      | <b>1,663,444</b>    | <b>273,279</b>     | <b>1,467,644</b>   | <b>27,199,712</b>  | <b>39,425,196</b>   |
| <b>Liabilities</b>                      |                     |                     |                     |                     |                    |                    |  |                     |
| Segment liabilities                     | (6,968,712)         | (3,895,782)         | (3,184,935)         | (4,628,911)         | (636,826)          | (3,840,428)        | (1,111,238)  | (24,266,832)        |

**Ensogo Limited**  
**Notes to the financial statements**  
**31 December 2015**  
 (continued)

**Note 3 Operating segments (continued)**

| Consolidated entity<br>2014             | Hong Kong<br>\$     | Singapore<br>\$     | Malaysia<br>\$      | Thailand<br>\$     | Indonesia<br>\$    | Philippines<br>\$  | Intersegment<br>eliminations /<br>Group<br>unallocated<br>\$ | Total<br>\$         |
|---|---------------------|---------------------|---------------------|--------------------|--------------------|--------------------|--|---------------------|
| Revenue                                 | 42,588,410          | 9,867,278           | 6,003,275           | 3,886,538          | 1,051,590          | 1,609,003          | (176,116)  | 64,829,978          |
| Expenses                                | (50,962,855)        | (11,832,224)        | (11,907,043)        | (7,553,028)        | (2,785,603)        | (4,038,865)        | 67,089   | (89,012,529)        |
| Impairment expense                      | (9,861,039)         | (26,110,129)        | (6,828,767)         | (2,772,362)        | (1,102,103)        | (301,650)          | -  | (46,976,050)        |
| <b>Profit before income tax expense</b> | <b>(18,235,484)</b> | <b>(28,075,075)</b> | <b>(12,732,535)</b> | <b>(6,438,852)</b> | <b>(2,836,116)</b> | <b>(2,731,512)</b> | <b>(109,027)</b>   | <b>(71,158,601)</b> |
| Income tax expense                      | 1,221,546           | 145,690             | 778,386             | 734,591            | 258,812            | 641,937            | -  | 3,780,962           |
| <b>Profit after income tax expense</b>  | <b>(17,013,938)</b> | <b>(27,929,385)</b> | <b>(11,954,149)</b> | <b>(5,704,261)</b> | <b>(2,577,304)</b> | <b>(2,089,575)</b> | <b>(109,027)</b>   | <b>(67,377,639)</b> |
| <b>Assets</b>                           |                     |                     |                     |                    |                    |                    |  |                     |
| Segment assets                          | 7,008,869           | 2,669,362           | 1,331,292           | 1,198,181          | 222,109            | 959,719            | 3,525,707  | 16,915,239          |
| Total remaining goodwill & intangibles  | 12,890,066          | 15,457,785          | 10,311,954          | 9,631,022          | 2,699,879          | 4,537,226          | 123,443  | 55,651,375          |
| <b>Total segment assets</b>             | <b>19,898,935</b>   | <b>18,127,147</b>   | <b>11,643,246</b>   | <b>10,829,203</b>  | <b>2,921,988</b>   | <b>5,496,945</b>   | <b>3,649,150</b>   | <b>72,566,614</b>   |
| <b>Liabilities</b>                      |                     |                     |                     |                    |                    |                    |  |                     |
| Segment liabilities                     | (8,319,317)         | (7,102,944)         | (6,024,285)         | (4,867,387)        | (957,251)          | (3,788,261)        | (1,234,012)  | (32,293,457)        |

**Ensogo Limited**  
**Notes to the financial statements**  
**31 December 2015**  
(continued)

**Note 4 Revenue**

|                      | <b>Consolidated</b> |                   |
|----------------------|---------------------|-------------------|
|                      | <b>2015</b>         | <b>2014</b>       |
|                      | <b>\$</b>           | <b>\$</b>         |
| <i>Sales revenue</i> |                     |                   |
| Sale of goods        | 41,293,744          | 44,721,079        |
| Provision of service | 14,157,467          | 18,400,720        |
|                      | <u>55,451,211</u>   | <u>63,121,799</u> |
| <i>Other revenue</i> |                     |                   |
| Other revenue        | <u>3,885,578</u>    | <u>1,708,179</u>  |
| Revenue              | <u>59,336,789</u>   | <u>64,829,978</u> |

Other revenue includes marketing and advertising income and shipping revenue.

**Note 5 Other income**

|              | <b>Consolidated</b> |                |
|--------------|---------------------|----------------|
|              | <b>2015</b>         | <b>2014</b>    |
|              | <b>\$</b>           | <b>\$</b>      |
| Other income | <u>591,506</u>      | <u>271,505</u> |

Other income mainly comprise interest income and government grant.

**Note 6 Expenses**

Loss before income tax includes the following specific expenses:

|                                      | <b>Consolidated</b> |                  |
|--------------------------------------|---------------------|------------------|
|                                      | <b>2015</b>         | <b>2014</b>      |
|                                      | <b>\$</b>           | <b>\$</b>        |
| <i>Depreciation and amortisation</i> |                     |                  |
| Depreciation                         | 709,019             | 632,488          |
| Amortisation                         | 6,069,450           | 6,603,079        |
|                                      | <u>6,778,469</u>    | <u>7,235,567</u> |

**Ensogo Limited**  
**Notes to the financial statements**  
**31 December 2015**  
(continued)

**Note 6 Expenses (continued)**

|  | <b>Consolidated</b> |             |
|--|---------------------|-------------|
|  | <b>2015</b>         | <b>2014</b> |
|  | <b>\$</b>           | <b>\$</b>   |
| <i>Employment expenses</i>                                     |                     |             |
| Salaries and wages including other employment related expenses | 20,213,803          | 22,804,392  |
| <i>Other expenses include</i>                                  |                     |             |
| Restructuring cost   | 19,465              | 1,290,237   |

**Note 7 Income tax benefit**

|  | <b>Consolidated</b> |                    |
|--|---------------------|--------------------|
|  | <b>2015</b>         | <b>2014</b>        |
|  | <b>\$</b>           | <b>\$</b>          |
| <i>Income tax benefit</i>  |                     |                    |
| Current tax  | 3,739               | 174                |
| Deferred tax - reversal of deferred tax liability on amortisation of intangibles           | (519,642)           | (1,285,578)        |
| Deferred tax - tax losses recognised   | -                   | (2,495,558)        |
| <b>Aggregate income tax benefit</b>  | <b>(515,903)</b>    | <b>(3,780,962)</b> |
| <i>Numerical reconciliation of income tax benefit and tax at the statutory rate</i>        |                     |                    |
| Loss before income tax expense   | (80,273,318)        | (71,158,601)       |
| Tax at statutory tax rate of 30.0%   | (24,081,995)        | (21,347,580)       |
| Tax effect of amounts which are not deductible (taxable)<br>in calculating taxable income: |                     |                    |
| Impairment of assets   | 14,885,962          | 14,092,815         |
|  | (9,196,033)         | (7,254,765)        |
| Current year tax losses not recognised   | 6,980,530           | 2,175,457          |
| Difference in overseas tax rates   | 1,699,600           | 1,298,346          |
| Income tax expense   | (515,903)           | (3,780,962)        |

The Group has unrecognised tax losses carried forward of \$6,343,992 (2014:\$1,435,170). In addition, a deferred tax asset deductible over 5 years, relating to the future deductibility of capital raising costs has not been recorded.

The recognition of deferred tax assets for any carry forward of unused tax losses and unused tax credits depends on the probability of the entity generating a future taxable profit against which it can be utilised. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.



**Note 7 Income tax benefit (continued)**

During the financial year, the entire net deferred tax liability of \$519,642 has been released to statement of profit or loss as income tax benefit.

**Note 8 Current assets - cash and cash equivalents**

|              | <b>Consolidated</b> |             |
|--------------|---------------------|-------------|
|              | <b>2015</b>         | <b>2014</b> |
|              | <b>\$</b>           | <b>\$</b>   |
| Cash at bank | 29,006,641          | 6,350,512   |

**Note 9 Current assets - Trade and other receivables**

|   | <b>Consolidated</b> |                  |
|---|---------------------|------------------|
|   | <b>2015</b>         | <b>2014</b>      |
|   | <b>\$</b>           | <b>\$</b>        |
| Trade receivables                             | 1,080,689           | 2,296,020        |
| Less: Provision for impairment of receivables | (204,438)           | (821,427)        |
| Other receivables                             | 919,010             | 752,604          |
|   | <u>1,795,261</u>    | <u>2,227,197</u> |

Trade receivables are primarily balances outstanding from payment gateways. Payment gateways are e-commerce service providers that authorise payments via credit card and other banking solutions for the group in order to receive payment for goods and services from its customers. Receipts from customers via payment gateways are generally subsequently cleared to the group within one to seven days. There were no past due balance as at 31 December 2015 that remain unprovided for.

**Note 10 Current assets - Inventories**

|                         | <b>Consolidated</b> |                  |
|-------------------------|---------------------|------------------|
|                         | <b>2015</b>         | <b>2014</b>      |
|                         | <b>\$</b>           | <b>\$</b>        |
| Stock on hand - at cost | <u>1,571,440</u>    | <u>1,584,651</u> |

**Ensogo Limited**  
**Notes to the financial statements**  
**31 December 2015**  
(continued)

**Note 11 Current assets - Other**

|                | <b>Consolidated</b> |                  |
|----------------|---------------------|------------------|
|                | <b>2015</b>         | <b>2014</b>      |
|                | <b>\$</b>           | <b>\$</b>        |
| Prepayments    | 635,663             | 748,941          |
| Other deposits | 1,108,585           | 1,336,030        |
|                | <u>1,744,248</u>    | <u>2,084,971</u> |

Other deposits include rental deposits of \$521,644 (2014: \$879,256), security deposits of \$254,101 (2014: \$157,636), payment gateway deposit of \$137,968 (2014: \$122,956) and other deposits of \$194,872 (2014: \$176,182).

**Note 12 Non-current assets - Receivables**

|                      | <b>Consolidated</b> |                  |
|----------------------|---------------------|------------------|
|                      | <b>2015</b>         | <b>2014</b>      |
|                      | <b>\$</b>           | <b>\$</b>        |
| Loans to shareholder | <u>2,846,915</u>    | <u>2,439,568</u> |

On 20 October 2013, prior to acquisition by the Group, Buy Together Hong Kong Ltd, which became a wholly owned subsidiary of the Group on 19 December 2013, made a loan of US \$2,300,000 to Middle Kingdom Capital Group (a related party of Kris Marszalek, Ensogo Chief Executive Officer), a shareholder of the Company. The loan has a fixed interest rate of 2% per annum payable every 3 months from the date of contract agreement. A repayment of US\$300,000 was made in December 2013, with the balance of US\$2,000,000 to be repaid in four equal instalments of US\$500,000 every 3 months commencing March 2016 in the original agreement. However, there was a supplemental deed dated 27 February 2015 signed by both parties to extend the repayment instalments to commence from March 2017. No repayment was made in financial year of 2015. The increase in the carrying value of the loan is due to foreign exchange differences at financial year end.

**Note 13 Non-current assets - Available-for-sale financial assets**

|                            | <b>Consolidated</b> |                |
|----------------------------|---------------------|----------------|
|                            | <b>2015</b>         | <b>2014</b>    |
|                            | <b>\$</b>           | <b>\$</b>      |
| Ordinary shares - unquoted | <u>685,899</u>      | <u>654,296</u> |

**Note 13 Non-current assets - Available-for-sale financial assets (continued)**

*Reconciliation*

Reconciliation of the fair values at the beginning and end of the current financial year are set out below:

|                      | <b>Consolidated</b> |                |
|----------------------|---------------------|----------------|
|                      | <b>2015</b>         | <b>2014</b>    |
|                      | <b>\$</b>           | <b>\$</b>      |
| Movements:           |                     |                |
| Opening fair value   | 654,296             | -              |
| Exchange differences | 31,603              | -              |
| Additions            | -                   | 654,296        |
| Closing fair value   | <u>685,899</u>      | <u>654,296</u> |

Refer to note 25 for further information on fair value measurement.

Investment in shares was in consideration of cash payment of \$494,876 and the provision of services of \$159,420 in 2014.

**Note 14 Non-current assets - Property, plant and equipment**

|                                  | <b>Consolidated</b> |                    |
|----------------------------------|---------------------|--------------------|
|                                  | <b>2015</b>         | <b>2014</b>        |
|                                  | <b>\$</b>           | <b>\$</b>          |
| Leasehold improvements - at cost | 1,109,278           | 1,233,704          |
| Accumulated depreciation         | <u>(789,458)</u>    | <u>(619,317)</u>   |
|                                  | 319,820             | 614,387            |
| Fixtures and fittings - at cost  | 461,455             | 452,472            |
| Less: Accumulated depreciation   | <u>(314,010)</u>    | <u>(281,163)</u>   |
|                                  | 147,445             | 171,309            |
| Computer equipment - at cost     | 1,631,153           | 1,763,096          |
| Less: Accumulated depreciation   | <u>(1,323,767)</u>  | <u>(1,246,226)</u> |
|                                  | 307,386             | 516,870            |
| Office equipment - at cost       | 420,969             | 435,573            |
| Less: Accumulated depreciation   | <u>(278,468)</u>    | <u>(224,651)</u>   |
|                                  | 142,501             | 210,922            |
|                                  | <u>917,152</u>      | <u>1,513,488</u>   |

**Ensogo Limited**  
**Notes to the financial statements**  
**31 December 2015**  
(continued)

**Note 14 Non-current assets - Property, plant and equipment (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| <b>Consolidated</b>                     | <b>Leasehold<br/>improvements<br/>\$</b> | <b>Furniture,<br/>fittings and<br/>equipment<br/>\$</b> | <b>Computer<br/>equipment<br/>\$</b> | <b>Office<br/>equipment<br/>\$</b> | <b>Total<br/>\$</b> |
|---|--|---|--------------------------------------|------------------------------------|---------------------|
| Balance at 31 December 2013             | 86,057                                   | 101,494   | 180,824                              | 96,965                             | 465,340             |
| Additions                               | 592,481                                  | 65,198  | 211,157                              | 87,447                             | 956,283             |
| Additions through business combinations | 194,233                                  | 49,366  | 419,238                              | 75,297                             | 738,134             |
| Disposals                               | (91,066)                                 | (1,737)   | (12,436)                             | (1,909)                            | (107,148)           |
| Exchange differences                    | 18,615                                   | 35,954  | 14,110                               | 24,688                             | 93,367              |
| Depreciation expense                    | (185,933)                                | (78,966)  | (296,023)                            | (71,566)                           | (632,488)           |
| Balance at 31 December 2014             | 614,387                                  | 171,309   | 516,870                              | 210,922                            | 1,513,488           |

**Year ended 31 December 2015**

|   |           |          |           |          |           |
|---|-----------|----------|-----------|----------|-----------|
| Balance at 31 December 2014             | 614,387   | 171,309  | 516,870   | 210,922  | 1,513,488 |
| Additions                               | 165,543   | 102,522  | 110,613   | 43,178   | 421,856   |
| Additions through business combinations | -         | -        | -         | -        | -         |
| Disposals                               | (36,961)  | (7,379)  | (23,443)  | (8,755)  | (76,538)  |
| Reclassification                        | 5,536     | -        | (8,527)   | -        | (2,991)   |
| Exchange differences                    | 22,165    | 8,825    | 12,555    | 11,470   | 55,015    |
| Written off                             | (195,848) | (32,045) | (32,421)  | (25,180) | (285,494) |
| Depreciation expense                    | (255,002) | (95,787) | (268,261) | (89,134) | (708,184) |
| Balance at 31 December 2015             | 319,820   | 147,445  | 307,386   | 142,501  | 917,152   |

**Note 15 Non-current assets - Intangibles**

|                                | <b>Consolidated<br/>2015<br/>\$</b> | <b>2014<br/>\$</b> |
|--------------------------------|-------------------------------------|--------------------|
| Goodwill - at cost             | 87,347,741                          | 87,347,741         |
| Less: impairment               | (87,347,741)                        | (46,976,050)       |
|                                | -                                   | 40,371,691         |
| Customer lists - at cost       | 20,590,404                          | 20,590,404         |
| Less: Accumulated amortisation | (12,007,587)                        | (6,236,557)        |
| Less: Accumulated impairment   | (8,582,817)                         | -                  |
|                                | -                                   | 14,353,847         |

**Note 15 Non-current assets - Intangibles (continued)**

|                                | <b>Consolidated</b> |                   |
|--------------------------------|---------------------|-------------------|
|                                | <b>2015</b>         | <b>2014</b>       |
|                                | <b>\$</b>           | <b>\$</b>         |
| Brand names - at cost          | 725,000             | 725,000           |
| Less: Accumulated amortisation | (414,136)           | (210,934)         |
| Less: Accumulated impairment   | (310,864)           | -                 |
|                                | <u>-</u>            | <u>514,066</u>    |
| Other intangibles - at cost    | 1,063,718           | 567,656           |
| Less: Accumulated amortisation | (251,892)           | (155,885)         |
|                                | <u>811,826</u>      | <u>411,771</u>    |
|                                | <u>811,826</u>      | <u>55,651,375</u> |

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

| <b>Consolidated</b>   | <b>Customer lists</b> | <b>Brand names</b> | <b>Goodwill</b> | <b>Other intangibles</b> | <b>Total</b>   |
|---|-----------------------|--------------------|-----------------|--------------------------|----------------|
|   | <b>\$</b>             | <b>\$</b>          | <b>\$</b>       | <b>\$</b>                | <b>\$</b>      |
| <b>Balance at 31 December 2014</b>                            | 14,353,847            | 514,066            | 40,371,691      | 411,771                  | 55,651,375     |
| Additions   | -                     | -                  | -               | 542,609                  | 542,609        |
| Additions through business combination                        | -                     | -                  | -               | -                        | -              |
| Disposal  | -                     | -                  | -               | (267)                    | (267)          |
| Exchange differences  | -                     | -                  | -               | 21,631                   | 21,631         |
| Amortisation expense  | (5,771,030)           | (203,201)          | -               | (95,219)                 | (6,069,450)    |
| Impairment of assets  | (8,582,817)           | (310,865)          | (40,371,691)    | (27,384)                 | (49,292,757)   |
| Write off of assets   | -                     | -                  | -               | (44,306)                 | (44,306)       |
| Reclassification to customer lists and brand names            | -                     | -                  | -               | -                        | -              |
| Reclassification from Property, Plant and Equipment (note 14) | -                     | -                  | -               | 2,991                    | 2,991          |
| <b>Balance at 31 December 2015</b>                            | <u>-</u>              | <u>-</u>           | <u>-</u>        | <u>811,826</u>           | <u>811,826</u> |
| Cost  | 20,590,404            | 725,000            | 87,347,741      | 1,063,718                | 109,726,863    |
| Accumulated amortisation                                      | (12,007,587)          | (414,136)          | -               | (251,892)                | (12,673,615)   |
| Less: Impairment  | (8,582,817)           | (310,864)          | (87,347,741)    | -                        | (96,241,422)   |
| Net book amount   | <u>-</u>              | <u>-</u>           | <u>-</u>        | <u>811,826</u>           | <u>811,826</u> |

**Note 15 Non-current assets - Intangibles (continued)**

| Consolidated  | Customer lists<br>\$ | Brand names<br>\$ | Goodwill<br>\$    | Other intangibles<br>\$ | Total<br>\$       |
|---|----------------------|-------------------|-------------------|-------------------------|-------------------|
| <b>Balance at 31 December 2013</b>                  | -                    | -                 | 77,568,303        | 174,349                 | 77,742,652        |
| Additions   | -                    | -                 | -                 | 289,505                 | 289,505           |
| Additions through business combination              | 20,590,404           | 725,000           | 25,619,142        | 467,027                 | 47,401,573        |
| Adjustments for fair value of assets on acquisition | -                    | -                 | 5,475,700         | -                       | 5,475,700         |
| Exchange differences                                | -                    | -                 | -                 | (93,840)                | (93,840)          |
| Amortisation expense                                | (6,236,557)          | (210,934)         | -                 | (155,588)               | (6,603,079)       |
| Impairment of assets                                | -                    | -                 | (46,976,050)      | -                       | (46,976,050)      |
| Write off of assets                                 | -                    | -                 | -                 | (269,682)               | (269,682)         |
| Reclassification to customer lists and brand names  | -                    | -                 | (21,315,404)      | -                       | (21,315,404)      |
| <b>Balance at 31 December 2014</b>                  | <b>14,353,847</b>    | <b>514,066</b>    | <b>40,371,691</b> | <b>411,771</b>          | <b>55,651,375</b> |

**Impairment Test for Goodwill**

The Group carries out impairment assessment on its intangible assets on an annual basis. However, on a periodic basis, the Group will monitor for impairment triggers. Where there are impairment triggers, the Group will then carry out a review to evaluate if the impairment triggers necessitate an impairment assessment. For the purposes of undertaking impairment testing, the Group has determined its cash generating units (CGUs) as the smallest Group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The CGUs to which intangible assets are attributable are by reference to the operating segments and areas of operation of the Group.

During the current financial year, there were several impairment triggers with regard to the Group's CGUs, namely the operations in Hong Kong, Thailand, Indonesia, Philippines, Malaysia and Singapore whereby the revenue generated, growth achieved and resulting EBITDA (earnings before interest, tax, depreciation and amortisation) were below expectation in comparison with the forecasted results based on the budget and targets for the period in review. Accordingly, an impairment assessment was carried out on these CGUs to determine their respective recoverable amounts and carrying value of their intangibles and goodwill to the Group.

Arising from the impairment triggers as mentioned above that necessitated an impairment assessment to be undertaken on the CGUs i.e. operations in Hong Kong, Thailand, Indonesia, Philippines, Malaysia and Singapore, the Group tested whether goodwill arising from these CGUs had suffered any impairment. The recoverable amount of a CGU is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial forecasts approved by management covering a five-year period. Cash flows beyond the five-year period have a residual value calculated using the estimated long term growth rates.

## **Note 15 Non-current assets - Intangibles (continued)**

### **Impairment Test for Goodwill (continued)**

The key assumptions used for value-in-use calculations are as follows:

|                          | <b>Average<br/>growth rate</b> | <b>Terminal year<br/>rate</b> | <b>Discount rate</b> |
|--------------------------|--------------------------------|-------------------------------|----------------------|
| <b>Consolidated 2015</b> | <b>%</b>                       | <b>%</b>                      | <b>%</b>             |
| Hong Kong                | 6.5                            | 3.5                           | 16                   |
| Thailand                 | 9.5                            | 2.3                           | 18.5                 |
| Indonesia                | 13.0                           | 5.0                           | 22.8                 |
| Philippines              | 8.5                            | 3.5                           | 19.7                 |
| Malaysia                 | 11.0                           | 2.9                           | 17.3                 |
| Singapore                | 7.0                            | 2.3                           | 14.6                 |

*Assumptions and approach used to determining values :*

#### **Average annual growth rate**

Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.

#### **Long-term growth rate**

This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with the International Monetary Fund long term inflation forecast for the countries in which they operate.

#### **Discount rate**

Reflect specific risks relating to the relevant segments and the countries in which they operate. In performing the value-in-use calculations for each CGU, the Group has applied post-tax discount rates to discount the forecast future attributable post tax cash flows.

Based on the value-in-use calculations for each of the CGUs, the Group has determined that there is impairment to the carrying amount of goodwill and intangible assets of these CGUs. The total impairment charge amounted to \$49,292,757 arose across these CGUs.

**Note 15 Non-current assets - Intangibles (continued)**

**Impairment Test for Goodwill (continued)**

Breakdown by CGUs of impairment charge for the current financial-half year ended 31 December 2015 are as follow:

| Consolidated entity | Goodwill<br>\$ | Customers<br>lists<br>\$ | Brand<br>names<br>\$ | Other<br>intangibles<br>\$ | Total<br>\$ |
|---------------------|----------------|--------------------------|----------------------|----------------------------|-------------|
| <b>CGUs</b>         |                |                          |                      |                            |             |
| Hong Kong           | 5,880,479      | 3,132,940                | 36,030               | -                          | 9,049,449   |
| Thailand            | 6,632,857      | 1,739,037                | 17,272               | -                          | 8,389,166   |
| Singapore           | 14,886,452     | 349,781                  | 62,777               | -                          | 15,299,010  |
| Malaysia            | 7,955,576      | 1,800,427                | 90,799               | 27,384                     | 9,874,186   |
| Indonesia           | 1,923,277      | 606,842                  | 26,287               | -                          | 2,556,406   |
| Philippines         | 3,093,050      | 953,791                  | 77,699               | -                          | 4,124,540   |
| Impairment charge   | 40,371,691     | 8,582,818                | 310,864              | 27,384                     | 49,292,757  |

**Note 16 Current liabilities - Trade and other payables**

|                  | Consolidated<br>2015<br>\$ | 2014<br>\$        |
|------------------|----------------------------|-------------------|
| Trade payables   | 16,039,406                 | 21,703,469        |
| Deferred revenue | 574,671                    | 991,667           |
| Accruals         | 3,830,782                  | 3,790,024         |
| Other payables   | 2,629,070                  | 3,247,565         |
| Tax payables     | 986,668                    | 1,727,584         |
|                  | <u>24,060,597</u>          | <u>31,460,309</u> |

Refer to note 24 for further information on financial instruments.

**Note 17 Current liabilities - Provisions**

|            | Consolidated<br>2015<br>\$ | 2014<br>\$     |
|------------|----------------------------|----------------|
| Provisions | <u>194,719</u>             | <u>302,646</u> |

*Lease make good*

The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.



**Note 17 Current liabilities - Provisions (continued)**

*Movements in provisions*

Movements in each class of provision during the current financial year, are set out below:

|  | <b>Employee<br/>benefits<br/>\$</b> | <b>Lease<br/>make-good<br/>\$</b> | <b>Others<br/>\$</b> |
|--|-------------------------------------|-----------------------------------|----------------------|
| <b>Consolidated - 2015</b>                         |                                     |                                   |                      |
| Carrying amount at the start of the financial year | 58,869                              | 243,777                           | -                    |
| Additional provisions recognised                   | 44,043                              | 123,116                           | 27,561               |
| Utilised during the financial year                 | (58,869)                            | (243,777)                         | -                    |
| Carrying amount at the end of the financial year   | 44,043                              | 123,116                           | 27,561               |

  

|  | <b>Employee<br/>benefits<br/>\$</b> | <b>Lease<br/>make-good<br/>\$</b> |
|--|-------------------------------------|-----------------------------------|
| <b>Consolidated - 2014</b>                         |                                     |                                   |
| Carrying amount at the start of the financial year | -                                   | -                                 |
| Additional provisions recognised                   | 58,869                              | 243,777                           |
| Utilised during the financial year                 | -                                   | -                                 |
| Carrying amount at the end of the financial year   | 58,869                              | 243,777                           |

**Note 18 Non-current liabilities - deferred tax**

|   |              | <b>Consolidated<br/>2015<br/>\$</b> | <b>2014<br/>\$</b> |
|---|--------------|-------------------------------------|--------------------|
|   | <b>Notes</b> |                                     |                    |
| Deferred tax liability comprises temporary differences attributable to: |              |                                     |                    |
| Amounts recognised in profit or loss:                                   |              |                                     |                    |
| Intangible assets   | 15           | (519,642)                           | 3,015,200          |
| Tax losses recognised   |              | -                                   | (2,495,558)        |
| Deferred tax liability  |              | (519,642)                           | 519,642            |

  

|   | <b>Consolidated<br/>2015<br/>\$</b> | <b>2014<br/>\$</b> |
|---|-------------------------------------|--------------------|
| <i>Movements</i>  |                                     |                    |
| Opening balance   | 519,642                             | -                  |
| Additions through business combinations                           | -                                   | 4,300,778          |
| Reversal of deferred tax liability on amortisation of intangibles | (519,642)                           | (1,285,578)        |
| Tax losses recognised   | -                                   | (2,495,558)        |
| Closing balance   | -                                   | 519,642            |

**Note 19 Non-current liabilities - Provisions**

|                     | <b>Consolidated</b> |             |
|---------------------|---------------------|-------------|
|                     | <b>2015</b>         | <b>2014</b> |
|                     | <b>\$</b>           | <b>\$</b>   |
| Make good provision | 11,516              | 10,860      |

*Lease make good*

The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease term, no changes in the provision, movement was merely caused by difference in exchange rate.

**Note 20 Equity - issued capital**

|                              | <b>2015</b>   | <b>2014</b>   | <b>2015</b> | <b>2014</b> |
|------------------------------|---------------|---------------|-------------|-------------|
|                              | <b>Shares</b> | <b>Shares</b> | <b>\$</b>   | <b>\$</b>   |
| Ordinary shares - fully paid | 37,566,978    | 426,069,834   | 162,112,809 | 108,995,054 |

*Movements in ordinary share capital*

| <b>Details</b>    | <b>Date</b>      | <b>No of shares</b> | <b>Issue price</b> | <b>\$</b>   |
|-------------------|------------------|---------------------|--------------------|-------------|
| Balance           | 31 December 2013 | 359,305,037         | -                  | 80,488,262  |
| Issue of shares   | 14 April 2014    | 58,304,276          | 0.45               | 26,236,924  |
| Issue of shares   | 12 May 2014      | 8,234,223           | 0.45               | 3,705,400   |
| Issue of shares   | 10 June 2014     | 226,298             | 0.33               | 75,946      |
| Share issue costs |                  | -                   | -                  | (1,511,478) |
| Balance           |                  | 426,069,834         |                    | 108,995,054 |

| <b>Details</b>          | <b>Date</b>      | <b>No of shares</b> | <b>Issue price</b> | <b>\$</b>   |
|-------------------------|------------------|---------------------|--------------------|-------------|
| Balance                 | 31 December 2014 | 426,069,834         | -                  | 108,995,054 |
| Issue of shares         | 27 February 2015 | 59,464,069          | 0.11               | 6,422,119   |
| Issue of shares         | 24 March 2015    | 80,000              | 0.44               | 35,200      |
| Issue of shares         | 24 April 2015    | 58,823,530          | 0.17               | 10,000,000  |
| Issue of shares         | 24 April 2015    | 1,228,051           | 0.34               | 414,713     |
| Issue of shares         | 29 April 2015    | 83,000,000          | 0.19               | 15,355,000  |
| Issue of shares         | 5 June 2015      | 106,000,000         | 0.19               | 19,610,000  |
| Issue of shares         | 5 June 2015      | 16,669,422          | 0.19               | 3,083,843   |
| Consolidation of shares | 22 December 2015 | (713,767,928)       | -                  | -           |
| Share issue costs       |                  | -                   | -                  | (1,803,120) |
| Balance                 |                  | 37,566,978          |                    | 162,112,809 |

## **Note 20 Equity - issued capital (continued)**

### *Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### *Share buy-back*

There is no current on-market share buy-back.

On 22 December 2015, the issued capital of Ensogo Limited was consolidated on a 20:1 basis, such that every twenty (20) pre-consolidation shares in the Company to be consolidated into one (1) post-consolidation share in the Company and, where the consolidation results in a fraction of a share being held, that fraction was rounded up to the next whole number of shares. Following the consolidation of share exercise, the number of ordinary shares in issue reduced from 751,334,906 to 37,566,978. The consolidation had no material effect on the percentage interest of each individual shareholder in the Company as the consolidation was applied equally to all of the Company's shareholders.

### *Capital risk management*

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## **Note 21 Equity - reserves**

|                          | <b>Consolidated</b> |             |
|--------------------------|---------------------|-------------|
|                          | <b>2015</b>         | <b>2014</b> |
|                          | <b>\$</b>           | <b>\$</b>   |
| Foreign currency reserve | 736,181             | (788,686)   |

### *Foreign currency reserve*

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

## **Note 21 Equity - reserves (continued)**

### *Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

|                                   | <b>Foreign<br/>currency<br/>\$</b> | <b>Total<br/>\$</b> |
|-----------------------------------|------------------------------------|---------------------|
| <b>Consolidated entity - 2014</b> |                                    |                     |
| Balance at 31 December 2013       | (41,154)                           | (41,154)            |
| Foreign currency translation      | (747,532)                          | (747,532)           |
| Balance at 31 December 2014       | <u>(788,686)</u>                   | <u>(788,686)</u>    |

|                                   | <b>Foreign<br/>Currency<br/>\$</b> | <b>Total<br/>\$</b> |
|-----------------------------------|------------------------------------|---------------------|
| <b>Consolidated Entity - 2015</b> |                                    |                     |
| Balance at 31 December 2014       | (788,686)                          | (788,686)           |
| Foreign currency translation      | 1,524,867                          | 1,524,867           |
| Balance as at 31 December 2015    | <u>736,181</u>                     | <u>736,181</u>      |

## **Note 22 Equity - accumulated losses**

|   | <b>Consolidated<br/>2015<br/>\$</b> | <b>2014<br/>\$</b>  |
|---|-------------------------------------|---------------------|
| Accumulated losses at the beginning of the financial year | (67,933,211)                        | (555,572)           |
| Loss after income tax expense for the financial year      | (79,757,415)                        | (67,377,639)        |
| Accumulated losses at the end of the financial year       | <u>(147,690,626)</u>                | <u>(67,933,211)</u> |

## **Note 23 Equity - dividends**

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

## **Note 24 Financial instruments**

### **Financial risk management objectives**

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

## **Note 24 Financial instruments (continued)**

### **Financial risk management objectives (continued)**

Risk management is carried out by senior finance executives under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits.

### **Market risk**

#### *Foreign exchange risk*

The Group is exposed to foreign currency risk through foreign exchange rate fluctuations where transactions are denominated in foreign currency other than the entity's functional currency. The functional currencies of the Group's subsidiaries are Malaysian Ringgit (MYR), Hong Kong Dollars (HKD), Singapore Dollars (SGD), Philippines Peso (PHP), Thailand Baht (THB) and Indonesian Rupiah (IDR). As there are no material exposure to foreign currency risk within the financial assets and liabilities outside of each operating entity's functional currency, no sensitivity analysis has been prepared.

The carrying amount of the Group's foreign currency denominated material financial assets and financial liabilities at the reporting date was as follows:

|                                   | <b>Assets</b> |             | <b>Liabilities</b> |             |
|-----------------------------------|---------------|-------------|--------------------|-------------|
|                                   | <b>2015</b>   | <b>2014</b> | <b>2015</b>        | <b>2014</b> |
| <b>Consolidated</b>               | <b>\$</b>     | <b>\$</b>   | <b>\$</b>          | <b>\$</b>   |
| US\$2,000,000 loan to shareholder | 2,846,915     | 2,439,568   | -                  | -           |

#### *Price risk*

The Group is not exposed to any significant price risk.

#### *Interest rate risk*

As the Group does not have any long-term borrowings its exposure to interest rate risk is considered to be minimal. In addition, the Group does not hold bank deposits at variable interest rates.

### **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to mitigate credit risk, the Group entity has set credit risk policies, including dealing with reputable counterparties and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

### **Liquidity risk**

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and arrange borrowing facilities to be able to pay debts as and when they become due and payable.

## **Note 24 Financial instruments (continued)**

### **Liquidity risk (continued)**

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

#### *Remaining contractual maturities*

The following tables detail the group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| <b>Consolidated - 2015</b>  | <b>Weighted<br/>average<br/>interest rate<br/>%</b> | <b>1 year or<br/>less<br/>\$</b> | <b>Between 1<br/>and 2 years<br/>\$</b> | <b>Between 2<br/>and 5 years<br/>\$</b> | <b>Over 5<br/>years<br/>\$</b> | <b>Remaining<br/>contractual<br/>maturities<br/>\$</b> |
|-----------------------------|---|----------------------------------|---|---|--------------------------------|--|
| <b>Non-derivatives</b>      |   |                                  |   |   |                                |  |
| <i>Non-interest bearing</i> |   |                                  |   |   |                                |  |
| Trade payables              | 68.64   | 16,614,077                       | -                                       | -                                       | -                              | 16,614,077   |
| Other payables              | 31.36   | 7,446,520                        | -                                       | -                                       | -                              | 7,446,520  |
| Total non-derivatives       | 100.00  | 24,060,597                       | -                                       | -                                       | -                              | 24,060,597   |

  

| <b>Consolidated - 2014</b>  | <b>Weighted<br/>average<br/>interest rate<br/>%</b> | <b>1 year or<br/>less<br/>\$</b> | <b>Between 1<br/>and 2 years<br/>\$</b> | <b>Between 2<br/>and 5 years<br/>\$</b> | <b>Over 5<br/>years<br/>\$</b> | <b>Remaining<br/>contractual<br/>maturities<br/>\$</b> |
|-----------------------------|---|----------------------------------|---|---|--------------------------------|--|
| <b>Non-derivatives</b>      |   |                                  |   |   |                                |  |
| <i>Non-interest bearing</i> |   |                                  |   |   |                                |  |
| Trade payables              | 69.97   | 21,318,803                       | -                                       | -                                       | -                              | 21,318,803   |
| Other payables              | 30.03   | 9,149,839                        | -                                       | -                                       | -                              | 9,149,839  |
| Total non-derivatives       | 100.00  | 30,468,642                       | -                                       | -                                       | -                              | 30,468,642   |

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

### **Fair value of financial instruments**

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

## **Note 25 Fair value measurement**

### *Fair value hierarchy*

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

|                            | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|----------------------------|----------------|----------------|----------------|--------------|
|                            | <b>\$</b>      | <b>\$</b>      | <b>\$</b>      | <b>\$</b>    |
| <b>Consolidated - 2015</b> |                |                |                |              |
| Assets                     |                |                |                |              |
| Ordinary shares - unquoted | -              | -              | 685,899        | 685,899      |
|                            | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
|                            | <b>\$</b>      | <b>\$</b>      | <b>\$</b>      | <b>\$</b>    |
| <b>Consolidated - 2014</b> |                |                |                |              |
| Assets                     |                |                |                |              |
| Ordinary shares - unquoted | -              | -              | 654,296        | 654,296      |

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

*Valuation techniques for fair value measurements categorised within level 2 and level 3*

The unquoted investments are valued at fair value.

## **Note 26 Key management personnel compensation**

### *Directors*

The following persons were Directors of Ensogo Limited during the financial year:

|               |  |
|---------------|--|
| Patrick Grove | Non-executive Director   |
| Lucas Elliott | Non-executive Director   |
| Sam Weiss     | Non-executive Director and Chairman (appointed Chairman on 29 June 2015) |
| Erman Akinci  | Non-executive Director   |
| Thomas Baum   | Non-executive Director   |
| Nick Geddes   | Non-executive Director and Company Secretary*                            |
| David Gu      | Non-executive Director (appointed on 27 February 2015)                   |

\* Resigned as Company Secretary on 1 January 2016.

**Note 26 Key management personnel compensation (continued)**

*Other key management personnel*

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, during the financial year:

|                |                         |
|----------------|-------------------------|
| Kris Marszalek | Chief Executive Officer |
| Rafael Melo    | Chief Financial Officer |

*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

|                              | <b>Consolidated</b> |                |
|------------------------------|---------------------|----------------|
|                              | <b>2015</b>         | <b>2014</b>    |
|                              | <b>\$</b>           | <b>\$</b>      |
| Short-term employee benefits | 1,211,570           | 913,617        |
| Post-employment benefits     | 13,110              | 7,372          |
|                              | <u>1,224,680</u>    | <u>920,989</u> |

|  | <b>Consolidated</b> |               |
|--|---------------------|---------------|
|  | <b>2015</b>         | <b>2014</b>   |
|  | <b>\$</b>           | <b>\$</b>     |
| <b>Remuneration paid to entities related to certain key management personnel</b>     |                     |               |
| Australian Company Secretaries Pty Ltd for Nick Geddes' company secretarial services | 60,000              | 60,000        |
| Franks & Associates Pty Ltd  | -                   | 29,135        |
|  | <u>60,000</u>       | <u>89,135</u> |

Until 30 June 2014, the services of the Chief Financial Officer, Andrew Bursill, were provided according to the terms of a consultancy agreement between the Company and Franks & Associates Pty Ltd, of which Mr Bursill is a principal. Under the agreement, Franks & Associates charges the Company for time spent performing the Chief Financial Officer's function at an hourly rate. During financial year 2014, fees relating to accounting services of \$29,135 were paid to Franks & Associates Pty Ltd while Andrew Bursill was acting CFO of the Company.



## Note 27 Remuneration of auditors

During the financial year, the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Company, and its network firms:

|   | <b>Consolidated</b> |             |
|---|---------------------|-------------|
|   | <b>2015</b>         | <b>2014</b> |
|   | <b>\$</b>           | <b>\$</b>   |
| <i>Audit services - PricewaterhouseCoopers Australia</i>                      |                     |             |
| Audit and review of the financial statements                                  | 160,000             | 202,500     |
| <i>Other services - PricewaterhouseCoopers Australia</i>                      |                     |             |
| Investigating accountants services  | -                   | 113,000     |
| Total remuneration of PricewaterhouseCoopers Australia                        | 160,000             | 315,500     |
| <br><i>Audit services - network firms of PricewaterhouseCoopers Australia</i> |                     |             |
| Audit or review of the financial statements                                   | 291,271             | 236,250     |
| <i>Other services - network firms of PricewaterhouseCoopers Australia</i>     |                     |             |
| Investigating accountants services  | -                   | -           |
| Total remuneration of related practices of PricewaterhouseCoopers Australia   | 291,271             | 236,250     |

## Note 28 Related party transactions

### *Parent entity*

Ensogo Limited is the parent entity.

### *Subsidiaries*

Interests in subsidiaries are set out in note 30.

### *Transactions with related parties*

Refer to disclosures relating to loans to/from related parties below.

### *Receivable from and payable to related parties*

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

### *Loans to/from related parties*

In 2014, Catcha Group Pte Ltd, a major shareholder of Ensogo, provided accounting services of \$55,978 to the Company of which \$9,162 is outstanding at the end of the financial year. No such accounting services provided during the financial year.

**Note 28 Related party transactions (continued)**

On 20 October 2013, prior to acquisition by the Group, Buy Together Hong Kong Ltd, which became a wholly owned subsidiary of the Group on 19 December 2013 made a loan of US\$2,300,000 to Middle Kingdom Capital Group (a related party of Kris Marszalek, Ensogo Chief Executive Officer), a shareholder of Ensogo. The loan has a fixed interest rate of 2% per annum payable every 3 months from the date of contract agreement. A repayment of US\$300,000 was made in December 2013, with the balance of US\$2,000,000 to be repaid in four equal instalments of US\$500,000 every 3 months commencing March 2016 in the original agreement. However, there was a supplemental deed dated 27 February 2015 signed by both parties to extend the repayment instalments to commence from March 2017. No repayment was made in financial year of 2015. The increase in the carrying value of the loan is due to foreign exchange differences at financial year end.

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

**Note 29 Parent entity financial information**

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

|                                | <b>Parent</b>        |               |
|--------------------------------|----------------------|---------------|
|                                | <b>2015</b>          | <b>2014</b>   |
|                                | <b>\$</b>            | <b>\$</b>     |
| Profit/(loss) after income tax | (135,707,764)        | 35,183        |
| Total comprehensive income     | <u>(135,707,764)</u> | <u>35,183</u> |

*Statement of financial position*

|                           | <b>Parent</b> |             |
|---------------------------|---------------|-------------|
|                           | <b>2015</b>   | <b>2014</b> |
|                           | <b>\$</b>     | <b>\$</b>   |
| Total current assets      | 27,354,749    | 101,854,619 |
| Total assets              | 27,565,610    | 111,388,848 |
| Total current liabilities | 1,526,077     | 2,759,306   |
| Total liabilities         | 1,526,077     | 2,759,306   |

The loss of parent entity represents provision for receivables from subsidiaries.

**Ensogo Limited**  
**Notes to the financial statements**  
**31 December 2015**  
(continued)

**Note 29 Parent entity financial information (continued)**

*Equity*

|                             | <b>Parent</b>        |                    |
|-----------------------------|----------------------|--------------------|
|                             | <b>2015</b>          | <b>2014</b>        |
|                             | <b>\$</b>            | <b>\$</b>          |
| <i>Shareholders' equity</i> |                      |                    |
| Issued capital              | 162,112,809          | 108,995,054        |
| Retained earnings           | <u>(136,073,276)</u> | <u>(365,512)</u>   |
| Total equity                | <u>26,039,533</u>    | <u>108,629,542</u> |

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2015 and 31 December 2014.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 31 December 2015 and 31 December 2014.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

**Ensogo Limited**  
**Notes to the financial statements**  
**31 December 2015**  
(continued)

**Note 30 Interests in subsidiaries**

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

| Name of entity                         | Place of business/<br>country of<br>incorporation | Ownership interest held<br>by the group |         |
|--|---|---|---------|
|  |   | 2015                                    | 2014    |
| iBuy Group Pte Ltd                     | Singapore   | 100.00%                                 | 100.00% |
| Buy Together Hong Kong Ltd             | Hong Kong   | 100.00%                                 | 100.00% |
| Buy Together Retail Ltd                | Hong Kong   | 100.00%                                 | 100.00% |
| Buy Together Technology (Shenzhen) Ltd | Hong Kong   | 100.00%                                 | 100.00% |
| Dealmates Sdn Bhd                      | Malaysia  | 100.00%                                 | 100.00% |
| Dealguru Holdings Pte Ltd              | Singapore   | 100.00%                                 | 100.00% |
| Deal Travel Pte Ltd                    | Singapore   | 100.00%                                 | 100.00% |
| Mydeal Sdn Bhd                         | Malaysia  | 100.00%                                 | 100.00% |
| My Deal Travel & Lifestyle Sdn Bhd     | Malaysia  | 100.00%                                 | 100.00% |
| Ensogo Holdings Limited                | Hong Kong   | 100.00%                                 | 100.00% |
| Living Social Malaysia Sdn Bhd         | Malaysia  | 100.00%                                 | 100.00% |
| Ensogo Company Limited                 | Thailand  | 100.00%                                 | 100.00% |
| Ensogo Inc                             | Philippines                                       | 100.00%                                 | 100.00% |
| PT Living Social                       | Indonesia   | 100.00%                                 | 100.00% |

**Note 31 Events occurring after the reporting period**

No matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**Note 32 Reconciliation of loss after income tax to net cash used in operating activities**

|   | <b>Consolidated</b> |                     |
|---|---------------------|---------------------|
|   | <b>2015</b>         | <b>2014</b>         |
|   | <b>\$</b>           | <b>\$</b>           |
| Loss after tax                                      | (79,757,415)        | (67,377,639)        |
| Impairment of intangibles                           | 8,921,066           | -                   |
| Income tax benefit                                  | (515,903)           | (3,780,962)         |
| Depreciation and amortisation                       | 6,778,469           | 7,235,567           |
| Impairment of goodwill                              | 40,371,691          | 46,976,050          |
| Impairment of receivables                           | 279,396             | 961,924             |
| Inventory write offs                                | 351,691             | 94,302              |
| Asset write offs                                    | 259,348             | 66,109              |
| Foreign exchange net unrealised losses              | 1,859,361           | 14,569              |
| Change in operating assets and liabilities:         |                     |                     |
| Decrease/(Increase) in trade and other receivables  | 24,590              | (1,997,262)         |
| Decrease/(Increase) in inventories                  | 13,211              | (864,421)           |
| (Decrease) in net deferred tax liabilities          | (519,642)           | (1,073,888)         |
| (Decrease)/Increase in payables and provisions      | (7,585,007)         | 8,277,197           |
| Net cash inflow (outflow) from operating activities | <u>(29,519,144)</u> | <u>(11,468,454)</u> |

**Note 33 Earnings per share**

|   | <b>Consolidated</b> |                     |
|---|---------------------|---------------------|
|   | <b>2015</b>         | <b>2014</b>         |
|   | <b>\$</b>           | <b>\$</b>           |
| Loss after income tax attributable to the owners of Ensogo Limited                        | <u>(79,757,415)</u> | <u>(67,377,639)</u> |
|   | <b>Consolidated</b> |                     |
|   | <b>2015</b>         | <b>2014</b>         |
|   | <b>Number</b>       | <b>Number *</b>     |
|   |                     | <b>(Restated)</b>   |
| Weighted average number of ordinary shares used in calculating basic earnings per share   | <u>32,181,149</u>   | <u>20,318,972</u>   |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>32,181,149</u>   | <u>20,318,972</u>   |

\*The number of shares in 2014 has been restated to reflect the 20:1 shares consolidation exercise in December 2015.

**Ensogo Limited**  
**Notes to the financial statements**  
**31 December 2015**  
(continued)

**Note 33 Earnings per share (continued)**

|                          | <b>Consolidated</b> |                   |
|--------------------------|---------------------|-------------------|
|                          | <b>2015</b>         | <b>2014</b>       |
|                          | <b>Cents</b>        | <b>Cents</b>      |
|                          |                     | <b>(Restated)</b> |
| Basic earnings per share | (247.84)            | (331.60)          |

**Note 34 Commitments**

**Non-cancellable operating leases**

The Group leases various offices under non-cancellable operating leases expiring within one to three years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

|  | <b>Consolidated</b> |                  |
|--|---------------------|------------------|
|  | <b>2015</b>         | <b>2014</b>      |
|  | <b>\$</b>           | <b>\$</b>        |
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: |                     |                  |
| Within one year  | 1,209,824           | 1,504,872        |
| Later than one year but not later than five years  | 478,578             | 1,312,920        |
|  | <u>1,688,402</u>    | <u>2,817,792</u> |
|  | <b>2015</b>         | <b>2014</b>      |
|  | <b>\$</b>           | <b>\$</b>        |
| <i>Rental expense relating to operating leases</i>   |                     |                  |
| Minimum lease payments   | <u>1,688,402</u>    | <u>2,817,792</u> |

**Ensogo Limited**  
**Directors' declaration**  
**31 December 2015**

In the Directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Sam Weiss  
Director

29 February 2016



## **Independent auditor's report to the members of Ensogo Limited**

### ***Report on the financial report***

We have audited the accompanying financial report of Ensogo Limited (the company), which comprises the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Ensogo Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

### ***Directors' responsibility for the financial report***

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### ***Auditor's responsibility***

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

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

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

### ***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

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### *Auditor's opinion*

In our opinion:

- (a) the financial report of Ensogo Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

### ***Report on the Remuneration Report***

We have audited the remuneration report included in pages 10 to 17 of the directors' report for the year ended 31 December 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's opinion*

In our opinion, the remuneration report of Ensogo Limited for the year ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive, stylized script.

PricewaterhouseCoopers

A handwritten signature in black ink that appears to be 'J. Roberts' followed by a stylized flourish.

Jon Roberts  
Partner

Melbourne  
29 February 2016