



ACN 122 921 813

APPENDIX 4E

PRELIMINARY UNAUDITED FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

This Appendix 4E report is provided to the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A

This statement is based on accounts that are in the process of being audited

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ASX Release

28 February 2019

Appendix 4E Commentary: Animoca Brands announces 2018 was strongest financial performance in its history

Highlights:

- **Strongest financial performance to date – total revenue of \$17.5m and cash receipts of \$15.7m for the 12-month period ending 31 December 2018**
- **First year that Animoca Brands has become operationally cash flow positive**
- **Company remains well funded with \$9.2m in cash**

Animoca Brands Corporation Limited (ASX:AB1, the “**Company**”) is pleased to announce its Appendix 4E preliminary financial report for the 12-month period ending 31 December 2018. This year marked the strongest financial performance in the history of the Company, with revenues of \$13.5m (\$17.5m including other income) and cash receipts of \$15.7m, representing increases of 100.46% and 144.76%, respectively, on the financial year 2017. The Company is pleased to report that it became operationally cash flow positive for the year. The comprehensive loss of \$1.8m for the year included unrealised expenses of \$1,391,168 related to the change in value of cryptocurrency assets and a provision made for \$1,322,299 in milestone payments to the founders of TicBits as part of the acquisition agreements of 4 July 2016. The Company ended the period well-positioned with \$9.2m in cash.

The financial year 2018 was a transformational year for the Company, during which time the results of the restructuring undertaken in 2017 began to emerge. Following a year of divestment, in 2018 the Company focused on growth and expansion as it secured success in its core business of mobile games, generating significant revenues and being named one of the world’s “Top 50 Developers” of 2018 by PocketGamer. The Company also began expanding into two technology spaces that it believes will significantly impact the mobile game industry: artificial intelligence (“**AI**”) and blockchain.

At the beginning of 2018, The Company's Finnish studio launched *Crazy Defense Heroes*, the sequel to *Crazy Kings*, leading the game franchise to generate substantial revenues during the period.

At the same time, the Company increased its exposure in the AI accelerator Zeroth with the acquisition of Venture Classic, the management company of Zeroth, giving Animoca Brands an indirect ownership stake in the startups accelerated by Zeroth (32 companies in previous cohorts, and 28 companies in the present cohort).

The Company became a publisher of *CryptoKitties*, the world's most successful blockchain game, and invested in Dapper Labs, the creators of *CryptoKitties*. This was followed by a series of strategic partnerships to establish a leadership position in blockchain gaming, including with HTC Corporation, OpenST Limited, Decentraland, Datum, LikeCoin, Musicoin, Harmony, Mind Fund, and Helix. The Company also established a partnership with Atari, one of the world's most famous producers of interactive entertainment, to create blockchain games based on popular Atari game brands.

The Company also formed a partnership with iClick Interactive Asia Limited (NASDAQ: ICLK) to jointly develop and grow an online marketing business in order to leverage iClick's marketing technology platform and data assets of over 780 million user profiles in China; this partnership is expected to deliver a minimum of about \$11m in revenue to Animoca Brands over the course of 2019.

The Company completed several acquisitions during the period, including Finnish casual games studio Tribeflame, Vancouver-based blockchain game studio Fuel Powered, Buenos Aires-based games studio Pixowl, and Venture Classic, the management company of Zeroth.

The Company's subsidiaries recorded notable activity during the period. The Animoca Brands subsidiary OliveX partnered with the North Point Kai Fong Welfare Advancement Association to produce an AI-based mobile app for Android and iOS to teach Baduanjin qigong, a form of Chinese exercise with documented health benefits. The project was awarded a grant of approximately A\$770,000 by the Hong Kong Government's Innovation and Technology Fund for Better Living. Separately, OliveX also partnered with fitness blockchain company Lympo to launch *Lympo Squat*, the world's first "squat for crypto" exercise mobile app. Finally, Zeroth partnered with AI incubator DEEPCORE, a wholly owned subsidiary of global technology player SoftBank Group Corp. (TYO: 9984), to share dealflow, expertise and information for technology investments in Asian markets.

During the financial year, the Company welcomed a number of high-profile industry veterans to the world team, including Holly Liu (co-founder of Kabam) to the Board of Directors, Gen Kanai (ex-director of community engagement at Mozilla) to the management team, and Wilhelm Taht (ex-executive vice president at Rovio) and Ed Fries (co-founder of Microsoft's Xbox project) to the board of advisors.

Shortly after the end of the 2018 financial year, the Company announced a strategic partnership with WAX Blockchain to offer digital items from *The Sandbox* for sale on the WAX platform, launched the Android version of *Crazy Defense Heroes* on Google Play Early Access, and announced it secured a strategic investment of US\$1m (approx. A\$1.4m) into its OliveX subsidiary, further strengthening that company's position in the burgeoning health and fitness technology market.

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About Animoca Brands

Animoca Brands (ASX: AB1) leverages gamification, blockchain, and artificial intelligence technologies to develop and publish a broad portfolio of mobile products including games such as *The Sandbox*, *Crazy Kings*, and *Crazy Defense Heroes* as well as products based on popular intellectual properties such as *Garfield*, *Snoopy*, *Thomas & Friends™*, *Ever After High* and *Doraemon*. Animoca Brands is the exclusive China distributor of *CryptoKitties*. The Company is based in Hong Kong, Canada, Finland, and Argentina. For more information visit www.animocabrands.com or get updates by following Animoca Brands on [Facebook](#), [Twitter](#) or [Google +](#).

Contact: press@animocabrands.com

Appendix 4E Information

Comparative Period	Reporting Year
1 January 2017 – 31 December 2017	1 January 2018 – 31 December 2018

Results for announcement to the market

Year	2017	2018	Var (\$)	Var (%)
Revenue from Ordinary activities	6,488,559	13,461,243	6,972,684	+107.5%
Profit (loss) from ordinary activities after tax attributable to members	(8,047,840)	(2,523,740)	(5,524,100)	(68,6%)
Net profit (loss) for the period attributable to members	(8,047,840)	(2,581,110)	(5,466,730)	(67.9%)

No dividend was paid or declared by the Company in the year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 31 December 2018.

The details of entities over which control has been gained during the year is detailed in Note 4.

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2018

	Note	31 December 2018	31 December 2017
Revenue from operating activities	5	13,461,243	6,488,559
Cost of revenue from operating activities		(4,042,837)	(2,937,708)
Gross profit		9,418,406	3,550,851
Other Income	6	2,788,704	1,096,074
Interest Income		7,414	4,513
Gain on bargain purchase		1,290,954	-
Employee benefits expense	7	(4,274,858)	(2,382,493)
Marketing expenses		(3,581,834)	(2,584,191)
Rental expenses		(718,058)	(716,183)
Research and Development Expenses		(3,107,432)	(4,866,177)
Doubtful Debts expense		(279,940)	(855,279)
Foreign exchange loss	10	(56,178)	(204,561)
Market loss on digital assets - Unrealised	10	(1,391,168)	-
Other expenses	8	(2,619,743)	(1,090,394)
Loss before income tax expense		(2,523,733)	(8,047,840)
Income tax benefit/(expense)	9	-	-
Loss after income tax expense		(2,523,740)	(8,047,840)
Loss attributable to:			
Owners of Animoca Brands Limited		(2,581,110)	(8,047,840)
Non-controlling interest		57,377	-
		(2,523,733)	(8,047,840)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		465,828	(218,571)
Total comprehensive loss for the year		(2,054,851)	(8,266,411)
Loss per share:			
Basic Loss per share	24	0.005	0.022
Diluted loss per share	24	0.005	0.022

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 31 December 2018	Note	31 December 2018	31 December 2017
Current assets:			
Cash and cash equivalents	11	9,233,237	687,512
Digital assets		647,827	-
Trade and other receivables	12	3,320,005	1,608,433
Other assets	14	591,763	600,770
Total Current Assets		13,792,832	2,896,715
Non-Current Assets:			
Plant and equipment	15	156,214	116,970
Financial assets	13	7,755,141	560
Intangible assets	16	8,956,947	-
Goodwill	17	1,260,837	1,140,896
Total Non-Current Assets		18,129,139	1,258,426
Total Assets		31,921,971	4,155,141
Current Liabilities:			
Trade and other payables	18	4,469,023	2,555,008
Deferred consideration	19	2,652,837	-
Short-term provisions	20	176,622	200,927
Financial liabilities	21	1,933,296	881,821
Other liability		-	51,451
Total Current Liabilities		9,231,778	3,689,206
Non-Current Liabilities			
Other borrowings		291,656	-
Financial liabilities	21	623,406	-
Total Non-Current Liabilities		915,062	-
Total Liabilities		10,146,840	3,389,206
Net Assets		1,775,131	465,935
Equity			
Issued equity	22	45,935,942	31,121,237
Other contributed equity		5,811,314	-
Reserves	23	88,972	(379,910)
Minority Interest		2,795,405	-
Accumulated losses		(32,856,502)	(30,275,392)
Total Equity		21,775,131	465,935

The accompanying notes form part of these financial statements

Consolidated statement of changes in equity

For the year ended 31 December 2018

	Note	Issued equity	Other contributed equity	Foreign currency translation reserve	Non-controlling interest	Accumulated losses	Total equity
Balance at 1 January 2018		31,121,231	-	(379,910)	-	(30,275,392)	465,935
<i>Comprehensive income</i>							
Loss for the year		-	-	-	-	(2,581,110)	(2,581,110)
Non-controlling interest		-	-	-	57,377	-	57,377
Other comprehensive income/(expense)		-	-	468,882	-	-	468,882
Total comprehensive income for the year		-	-	468,882	57,377	(2,581,110)	(2,054,857)
<i>Transactions with owners, in their capacity as owners:</i>							
Shares issued under Institutional and retail offer	22	10,944,953	-	-	-	-	10,944,953
Shares issued as consideration for Pixowl	22	4,271,852	-	-	-	-	4,271,852
Transaction costs in issuing shares	22	(402,094)	-	-	-	-	(402,094)
Minority interest – business combination		-	-	-	2,738,028	-	2,738,028
Shares not issued, monies received			5,811,314				5,811,314
Total transactions with owners:		14,814,711	5,811,314	-	2,738,028	-	23,364,047
Balance at 31 December 2018		45,935,942	5,811,314	88,972	2,795,405	(32,856,502)	21,775,131

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2017

Note	Issued capital ordinary	Share based payments reserve	Foreign currency translation reserve	Other components of equity	Accumulated losses	Total equity
Balance at 1 January 2017	25,690,743	248,345	(161,339)	-	(22,475,897)	3,301,852
<i>Comprehensive income</i>						
Loss for the year	-	-	-	-	(8,047,840)	(8,047,840)
Other comprehensive income/(expense)	-	-	(218,571)	-	-	(218,571)
Total comprehensive income for the year	-	-	218,571	-	(8,047,840)	(8,266,411)
<i>Transactions with owners, in their capacity as owners:</i>						
Shares issued under Institutional and retail offer	5,208,503	-	-	-	-	5,208,503
Shares issued under placement	565,000	-	-	-	-	565,000
Transaction costs in issuing shares	(343,009)	-	-	-	-	(343,009)
Shares based payments expiration without exercise	-	(248,345)	-	-	248,345	-
Total transactions with owners:	5,430,488	(248,345)	-	-	248,345	5,430,494
Balance at 31 December 2017	31,121,237	-	(379,910)	-	(30,275,392)	465,935

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2018

	Note	31 December 2018	31 December 2017
		\$	\$
Cash flows from operating activities:			
Receipts from customers		15,765,225	6,412,190
Interest and other items of similar nature received		7,414	4,513
Payments to suppliers and employees		(15,442,281)	(14,103,800)
Net cash (used in) operating activities		330,358	(7,687,097)
Cash flows from investing activities:			
Receipts from sales of Apps		-	1,554,713
Payment for the acquisition of a subsidiary net of cash acquired	4	(7,961,522)	-
Purchase of financial assets		(5,380,356)	(160,920)
Purchase of property, plant and equipment		(106,005)	(9,147)
Net cash (used in) investing activities		(13,447,883)	1,384,646
Cash flows from financing activities			
Proceeds from issue of shares	22	20,983,019	5,773,497
Proceeds from issue of convertible loan		623,406	-
Payment of transaction costs for issue of shares	22	(412,059)	(343,009)
Net cash provided by financing activities		21,194,366	5,430,488
Net increase/(decrease) in cash and cash equivalents		8,076,841	(871,963)
Exchange rate adjustments		468,884	32,556
Cash at the beginning of the year		687,512	1,526,919
Cash at the end of the year	11	9,233,237	687,512

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2018

1. Corporate information

The consolidated financial statements of Animoca Brands Corporation Limited and its subsidiaries (collectively, “the Group” and/or “the Company”) for the year ended 31 December 2018 were authorized for preliminary release to the ASX in accordance with a resolution of the Directors on 27 February 2019.

Animoca Brands Corporation Limited is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. The Group’s principal activities are the development and marketing of a broad portfolio of mobile games and apps (including orientated to educational learning, including e-books and a book app) for smartphones and tablets all over the world. Mobile games and apps developed and/or published by the Group are made available for customers on different App stores including Apple’s App Store and Google’s Google Play store. The Group monetizes its games and apps through in-app purchases and advertising offered to consumers within the games and apps.

1.1. Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

The consolidated financial statements provide comparative information in respect of the previous period. The financial report is presented in Australian dollars, being the presentation currency for the Group.

The financial report has been prepared on the basis of a going concern.

2. Operating Segments

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The Group has three (3) operating segments: Europe, the Americas, and Asia. In identifying its operating segments, management generally follows the Group’s office territories. Both operating segments develop and market mobile app games.

The Europe segment consists of TicBits’ activities. TicBits was acquired by the Company on 4 July 2016 (see note 4). TicBits has its own management team, it engages in business

activities from which it may earn revenue and incur expenses, its operating results are reviewed by the Company management to make decisions.

The Asia segment consists of Animoca Brands Limited's activities. Animoca Brands Limited is the historical operating entity of the Company.

The Americas segment consists of the activities of Pixowl and Fuel Powered, two of the Company's acquired subsidiaries.

Each operating segment is managed separately as each of these segments requires different technologies and resources as well as marketing strategies. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under AASB 8 are the same as those used in its financial statements, except that:

- gains from movement in fair value of performance shares are not included in arriving at the operating profit of the operating segments.
- corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment. In the financial year under review, this primarily applies to the Group's headquarters' assets.

Segment information before consolidation elimination for the reporting period is as follows:

	Europe 31 December 2018	Asia 31 December 2018	The Americas 31 December 2018	Total 31 December 2018
Revenue:				
From external customers	2,014,260	12,088,189	1,945,333	16,047,782
From other segments	(1,897,956)	-	(688,583)	(2,586,539)
Segment revenues	116,304	12,088,189	1,256,750	13,461,243
Segment operating profit/(loss)	560,332	(3,786,462)	73,118	(3,153,012)
Segment assets	2,799,997	25,316,123	787,445	31,921,971
Segment liabilities	(374,126)	(9,374,398)	(398,316)	(10,146,840)

	Europe 31 December 2017	Asia 31 December 2017	USA 31 December 2017	Total 31 December 2017
Revenue:				
From external customers	835,664	5,652,895	-	6,488,559
From other segments	930,387	-	-	930,387
Segment revenues	1,766,051	5,652,895	-	7,418,946
Segment operating profit/(loss)	718,095	(8,765,934)	-	(8,047,840)
Segment assets	168,698	3,986,443	-	4,155,141
Segment liabilities	(123,724)	(3,565,482)	-	(3,689,206)

Customers

The Group has no individual customer concentration risk. The underlying users are located mainly throughout the Asia Pacific and European regions.

The Group distributes its games globally on platforms including Apple's App store, Google's Google Play store, and Amazon's Amazon Underground, among others.

3. Information about Subsidiaries

The consolidated financial statements of Animoca Brands Limited include:

Name	Principal Activities	Country of incorporation	% Equity interest	
			31 December 2018	31 December 2017
Animoca Brands Corporation	Mobile app game maker	British Virgin Islands	100%	100%
Animoca Brands Ltd	Mobile app game maker	Hong Kong	100%	100%
TicBits Oy	Mobile app game maker	Finland	100%	100%
Crowd Education Ltd	Mobile app game maker	Hong Kong	100%	100%
Tribeflame Oy	Mobile app game maker	Finland	100%	-
Benji Bananas Oy	Mobile app game maker	Finland	100%	-
Fuel Powered Inc	Mobile app game maker	USA	60%	-
Grantoo Inc	Mobile app game maker	USA	60%	-
OliveX Limited	Mobile app game maker	British Virgin Islands	100%	-

OliveX (HK) Limited	Mobile app game maker	Hong Kong	78%	-
Pixowl Inc	Mobile app game maker	USA	100%	
Moonrealm Entertainment Limited	Mobile app game maker	Hong Kong	51%	-
Venture Classic Limited	Accelerator	Hong Kong	66.7%	-
Zeroth SPC	Accelerator	Cayman Islands	66.7%	-
Zeroth Holdings II Limited	Accelerator	Hong Kong	100%	

Parent of the Group

The parent entity of the Group is Animoca Brands Corporation Ltd (the “Parent”) and is incorporated in and listed in Australia.

4. Business Combination

4.1 Tribeflame Oy and Benji Bananas Oy

Pursuant to a Sale and Purchase Agreement (“SPA”) dated 1 February 2018, the Company completed the acquisition of the entire 100% equity interest in Tribeflame Oy and its wholly owned subsidiary Benji Bananas Oy from Mr Torulf Berndt Jernstrom and Mr Marcus Sakari Alanen (collectively, the “Founders”) and Lansi-Suomen Paaomarahasto Oy and Petteri Laitala (collectively, the “Investors”) during the period.

CONSIDERATION TRANSFERRED

The acquisition of Tribeflame was/is to be satisfied by:

- A cash payment of \$157,606 (EURO 100,000) to Investors, which was paid during the year;
- A cash payment of \$7,880 (EURO 5,000) to Tribeflame Oy for intellectual property, which was paid during the year;
- A cash payment of \$31,521 (EURO 20,000) to Benji Bananas Oy for intellectual property, which was paid during the year;
- A cash payment of \$157,630 (EURO 100,001) to Investors, which is payable in tranches based on a future 50% revenue share from the existing app portfolios; and
- An Earn Out Payment up to \$236,409 (EURO 150,000) in cash or Company ordinary shares payable to the Founders depending on certain key performance measures

During the period, no Earn Out Payment provisions were paid to the Founders, as the required performance conditions were not met.

At the date of acquisition, the identifiable net assets were \$217,498 (see below).

4.2 Fuel Powered Inc and Grantoo Inc

Pursuant to the Share Purchase Agreement, dated 23 February 2018, the Company completed the acquisition of 60% equity interest in Fuel Powered Inc and its wholly owned subsidiary Grantoo Inc from Lion Games Limited (“Seller”) for a consideration of \$827,298 in cash, which was paid during the year.

At the date of the acquisition the identifiable net assets were \$827,297 (see below).

4.3 Venture Classic Limited and Zeroth SPC

Pursuant to the Earn-In Agreement dated 7 September 2018, the Company acquired 66.7% equity interest in Venture Classic Limited and its wholly owned subsidiary Zeroth SPC for a consideration of \$4,250,400 (US\$3m) in cash for:

- The Company shall provide not exceeding \$1,000,000 funding for Venture Classic’s operating expenses for the two years following closing date.
- A separate company, Zeroth Holdings II Limited was established to fund 20 startups Simple Agreement for Future Equity (SAFE), not exceeding \$1,416,800 (US\$1,000,000).
- The Company, via a separate agreement, agreed to invest up to \$1,062,600 (US\$750,000) as a limited partner in Zeroth SPC. The Company has the right to underwrite additional investments into Zeroth portfolio companies up to \$2,833,600 (US\$2,000,000)

4.4 Pixowl Inc

Pursuant to the Share Sale and Purchase Agreement, the Company acquired the entire 100% equity of Pixowl Inc for \$7,190,422 (US\$5,075,000) comprised of \$1,019,404 in cash and the balance in the Company’s ordinary shares. The Consideration Shares will be subject to a lock up period of up to 24 months from Completion.

The details of the business combination of Tribeflame, Fuel Powered, Venture Classic and Pixowl Inc are as follows:

	Tribeflame	Fuel Powered	Venture Classic Ltd	Pixowl Inc	Total
<i>Fair value of consideration transferred</i>					
Amount settled in cash	217,498	827,298	122	7,190,422	8,235,340
Total	217,498	827,298	122	7,190,422	8,235,340

Recognized amounts of identifiable net assets:

Plant and equipment	3,700	62,400	-	28,612	94,712
Intangible assets	821,244	712,947	-	7,053,913	8,588,104

Investment	-	-	1,558,515	-	1,558,515
Total non-current assets	824,944	775,347	1,558,515	7,082,525	10,241,331
Trade and other receivables	61,829	10,047	-	257,962	329,838
Cash and cash equivalents	84,682	51,733	3,639	133,764	273,818
Total current assets	146,510	61,780	3,639	391,726	603,655
Total assets	971,454	837,127	1,562,154	7,474,251	10,844,986
Trade and other payables	(753,956)	(9,829)	(271,078)	(283,829)	(1,318,692)
Total non-current liabilities	(753,956)	(9,829)	(271,078)	(283,829)	(1,318,692)
Identifiable net assets	217,498	827,297	1,291,075	7,190,423	9,526,293
Goodwill on acquisition	-	-	(1,290,953)	-	(1,290,953)
Consideration transferred settled in cash	217,498	827,297	122	7,190,423	8,235,340
Cash and cash equivalents acquired	(84,682)	(51,733)	(3,639)	(133,764)	(273,818)
Net cash outflow on acquisition	132,816	775,565	(3,517)	7,056,658	7,961,522
Acquisition costs charged to expenses	-	-	-	-	-
Net cash paid relating to the acquisition	132,816	775,565	(3,517)	7,056,658	7,961,522

5. Revenue from Operating Activities

	31 December 2018	31 December 2017
In App Purchases revenue	7,665,651	2,821,349
App Advertising revenue	1,639,029	1,629,613
Service revenue	4,156,563	2,037,597
Revenue from operating activities	13,461,243	6,488,559

6. Other Income

	31 December 2018	31 December 2017
Sale of games	2,788,704	1,554,713
Element of TicBits goodwill attributed to sale	-	(458,639)
Sundry Income	2,788,704	1,096,074

The Company sold 14 games to Maple Media. The company received \$1,554,713 as partial consideration of the sale.

13 of the 14 games sold were games acquired following the acquisition of TicBits Oy in 2016. The acquisition resulted in the recognition of goodwill on acquisition. The sale of the games to Maple Media made necessary an impairment of \$458,639 of the goodwill generated on the 2016 acquisition of TicBits.

Pursuant to the Asset Sale and Purchase Agreement (the "Agreement") dated 22 December 2017, but made effective on 22 May 2018 following approval by its shareholders, iCandy Interactive Limited (the "Buyer") purchased 318 Games from the Group.

ICANDY DEAL

- Cash payment of \$1 million of which \$625,000 has been received to 31 December 2018. The balance \$375,000 (include in trade and other receivables) will be received in 2.5 equal monthly instalments of \$150,000.
- Issue of 25,000,000 iCandy shares, which were received during the year.
- Performance Receipts based on KPIs.
- Earn Out Receipts based on KPIs.
- Performance Receipts of \$1,500,000 are payable to Animoca Brands in shares (up to 9,375,000 shares) and the balance in cash if the Games generate \$500,000 Net Profit in the first year and same Performance Receipts if Games generate \$1 million Net Profit in the second year. The directors have not considered this as part of the gain on the sale in current period due to the significant uncertainty relating to its receipt.

Earn Out Receipts are applicable when Net Profits from the Games reach \$1 million, at which point the Group will be entitled to receive a cash payment equal to 10% of Net Profit. The Group's profit share shall increase by 10% for each additional \$500,000 Net Profits up to a maximum of 50%. The directors have not considered this as part of the gain on the sale in current period due to the significant uncertainty relating to its receipt.

	31 December 2018	31 December 2017
Upfront cash consideration received / receivable	1,000,000	-
25 million iCandy shares	1,788,704	-
Total gain on sale of intellectual property	2,788,704	-

The fair value of iCandy shares has been determined with reference to the share price as at the date of iCandy shareholder approval and share issue (condition precedent). The trading price of iCandy reduced significantly between the announcement of the sale transaction in November 2017 and the completion of the transaction in May 2018.

7. Employee benefits expense

	31 December 2018	31 December 2017
Wages, salaries and other remuneration expenses	2,670,733	1,499,206
Provision for milestone payments	1,322,299	597,106
Retirement benefit expense	244,253	126,554
Other employment costs	37,573	159,627
Employee benefits expense	4,274,858	2,382,493

As at 31 December 2018, TicBits published two or more games during the year. Accordingly, the Company recognized an expense of \$1,322,299 for the year ended 31 December 2018 (2017 - \$597,106) in relation to the Milestone Payments.

8. Other expenses

	31 December 2018	31 December 2017
Share registry	139,193	48,639
Travel	230,722	183,144
Insurance	106,696	194,174
Professional fees	870,353	559,526
Withholding Tax Expense	113,484	43,182
Consultancy Fee	287,842	-
Depreciation and Amortization	320,420	41,580
Other expenses	551,033	20,149
Other expenses	2,619,743	1,090,394

9. Income Tax

	31 December 2018	31 December 2017
Accounting (loss) before income tax	(2,523,733)	(8,047,839)
At Australia's statutory income tax rate of 30% (2017: 30%)	(757,120)	(2,414,351)
Adjust for the tax effect of:		
Tax rate differences – Hong Kong	340,705	1,086,458
Un-recognized tax assets	416,415	1,327,893
Income tax (benefit)	-	-

As at 31 December 2018, Animoca Brands Ltd (Hong Kong) had estimated unused tax losses of approximately – US\$20,670,000 (2017: US\$17,237,000), which the Group anticipates may be able to be offset against future taxable income by the Group. The Parent entity's tax losses are not presented as they likely will be forgone due to failing the relevant loss tests in accordance with Australian Taxation legislation. No deferred tax asset has been recognized in respect of these unused tax losses due to the unpredictability of future profit stream. These tax losses do not expire under the current Hong Kong legislation.

10. Foreign exchange loss

	31 December 2018	31 December 2017
Cash conversion loss	56,178	204,561
Digital assets exchange loss - unrealised	1,391,168	-
Foreign exchange loss	1,447,346	204,561

11. Cash and cash equivalents

	31 December 2018	31 December 2017
Cash in bank and on hand	9,233,237	534,373
Short term deposit	-	153,139
Cash and cash equivalents	9,233,237	687,512

12. Trade and Other Receivables

	31 December 2018	31 December 2017
Trade Receivables from third parties	3,296,566	2,787,677
Less: Provision for impairment of receivables	-	(1,409,479)
GST Receivable	-	-

Related party receivables	23,439	230,235
Trade and other receivables	3,320,005	1,608,433

Related party receivables are non-interest bearing and are normally settled on 30-60 days terms.

13. Financial assets

	31 December 2018	31 December 2017
<i>Equity instruments at fair value through Other Comprehensive income:</i>		
Listed equity shares in iCandy Interactive Ltd	1,720,442	-
Unlisted equity securities	6,034,699	560
Total equity instruments at fair value through OCI	7,755,141	560

The Company has made a number of strategic investments including Dapper Labs, the company behind *CryptoKitties*, and Tru Luv Media, the company behind the popular *Selfcare* wellness game.

Zeroth Holdings II, a wholly owned subsidiary of the Company, entered into SAFE investment agreements with 13 start-ups alongside other investors. In the event of Equity Financing, each start-up will issue shares at a 20% discount rate and each company's valuation will not exceed US\$2.5m. The Company's subsidiary Zeroth SPC, which runs accelerator programs, and Zeroth Holdings II invested approximately US\$2,989,000 and approximately US\$670,000, respectively, into 60 start-ups. These start-ups specialize in AI and blockchain technologies.

14. Other Assets

	31 December 2018	31 December 2017
Prepayments	591,763	600,770
Other Assets	591,763	600,770

15. Plant and Equipment

Year ended 31 December 2018	Leasehold improvement	Office equipment	Furniture and fixtures	Software	Total
Opening net book amount	3,735	106,336	3,694	3,205	116,970
Additions		61,347	20,043	24,615	106,005
Depreciation	(1,417)	(44,183)	(6,111)	(15,050)	(66,761)
Plant and equipment	2,318	123,500	17,626	12,770	156,214

Capital expenditures	7,320	217,038	27,750	42,332	294,440
Accumulated depreciation	(5,002)	(93,538)	(10,124)	(29,562)	(138,226)
Plant and equipment	2,318	123,500	17,626	12,770	156,214

Year ended 31 December 2017	Leasehold improvement	Office equipment	Furniture and fixtures	Software	Total
Opening net book amount	5,490	125,370	5,523	3,756	140,139
Additions	-	11,146	-	11,693	22,839
Depreciation	(1,755)	(30,180)	(1,829)	(12,244)	(46,008)
Plant and equipment	3,735	106,336	3,694	3,205	116,970
Capital expenditures	7,320	155,691	7,707	17,717	188,435
Accumulated depreciation	(3,585)	(49,355)	(4,013)	(14,512)	(71,465)
Plant and equipment	3,735	106,336	3,694	3,205	116,970

16. Intangible Asset

The movements in the net carrying amount of intangible assets are as follows:

	31 December 2018	31 December 2017
Balance 1 January	-	-
Additions	9,210,606	-
Amortisation	(253,659)	-
Intangible assets	8,956,947	-

17. Goodwill

The movements in the net carrying amount of goodwill are as follows:

	31 December 2018	31 December 2017
Balance 1 January	1,140,896	1,724,208
Exchange differences	119,941	(124,673)
Written off	-	(458,639)
Goodwill	1,260,837	1,140,896

18. Trade and other payables

	31 December 2018	31 December 2017
Trade payables ¹	2,355,355	2,090,349
Accrued expenses	2,113,668	443,929
Related party payables ²	-	20,730
Trade and other payable	4,469,023	2,555,008

1. Trade payables are non-interest bearing and are normally settled on 30-day terms
2. Related party payables are non-interest bearing and are normally settled on 30-day terms.

19. Deferred consideration

	31 December 2018	31 December 2017
Deferred consideration	2,652,837	-
Deferred consideration	2,652,837	-

US\$1,872,372 was outstanding in relation to the Pixowl acquisition, of which US\$601,182 in cash and US\$1,271,190 in shares.

20. Short-term provisions

	31 December 2018	31 December 2017
Annual leave provision	176,622	200,927
Short-term provisions	176,622	200,927

Leave provisions for employees based in Hong Kong are expected to be wholly settled within 12 months. The entire amount is presented as current as the entity does not have the unconditional right to defer the settlement.

21. Financial Liabilities

	31 December 2018	31 December 2017
Milestone payments liability - current	1,933,296	881,821
Convertible note – non-current	623,406	-
Financial liabilities	2,556,702	881,821

As at 31 December 2018, TicBits published two new games on or before 31 December 2018. The Company recognized a provision for milestone payments of \$1,322,332 at the end of the year ended 31 December 2018 in accordance the payments due under the provisions of the Share Purchase Agreement dated 4 July 2016.

22. Share Capital

	31 December 2018	31 December 2017
Fully paid ordinary shares	45,935,942	31,121,231
Issued equity	45,935,942	31,121,231
Year ended 31 December 2018	Number	\$
Balance at 1 January	434,098,804	31,121,231
Institutional and Retail offer	194,861,078	10,944,953
Shares issued for Pixowl acquisition	54,074,080	4,271,852
Transaction costs on shares issued	-	(402,094)
Balance at 31 December 2018	683,033,962	45,935,942
Year ended 31 December 2017	Number	\$
Balance at 1 January	217,020,708	25,690,743
Institutional and Retail offer	173,616,566	5,208,497
Institutional Placement	43,461,530	565,000
Transaction costs on shares issued	-	(343,009)
Balance at 31 December 2017	434,098,804	31,121,231

The Company received \$5,811,314 from an Institutional placement in December but shares were allotted in January 2019. This amount has been recognized as other contributed equity until such time as the shares are allotted.

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorized capital and par value shares. Accordingly, the Company does not have authorized capital nor par value in respect of its issued shares.

Fully paid ordinary shares carry one vote per share and carry the right to dividends (in the event such a dividend was declared).

23. Reserves

	31 December 2018	31 December 2017
Foreign currency translation reserve	88,972	(379,910)
Reserves	88,972	(379,910)

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries of Animoca Brands Corporation Ltd that have a different functional currency than Australian Dollars.

24. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	31 December 2018	31 December 2017
Net loss attributable to ordinary equity holders of the Parent entity:		
Continuing operation	2,581,110	8,047,839
Weighted average number of ordinary shares for basic earnings per share	542,009,645	368,484,331

Pursuant to AASB 133 – there is no dilutive securities on issue.

Net tangible assets per security

Year	31 December 2018	31 December 2017
Net tangible assets per security	\$0.057	\$0.008

This statement is based on accounts that are in the process of being audited.

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