Adveritas Limited

ABN 88 156 377 141

Half-Year Financial Report

31 December 2019

Adveritas Limited

Corporate directory

Directors

Non-Executive Chairman	Mr Stephen Belben
Managing Director and Chief Executive Officer	Mr Mathew Ratty
Non-Executive Directors	Mr Renaud Besnard Mr Mark McConnell Mr Andrew Stott

Company Secretary

Ms Susan Hunter

Registered and Principal Office

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Bentley WA 6102

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Share Registry

Computershare Investor Services Pty Limited
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Perth WA 6000
Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

Securities Exchange Listing

Adveritas Limited shares are listed on the Australian Securities Exchange (ASX: AV1)

Solicitors

Steinepreis Paganin
Level 4, The Read Building
16 Milligan Street
Perth WA 6000

Bankers

Commonwealth Bank of Australia Limited
150 St Georges Terrace
Perth WA 6000

Auditors

Ernst & Young
The EY Building
11 Mounts Bay Road
Perth WA 6000

Reporting period

Current period:	Half-year ended 31 December 2019
Previous corresponding period:	Half-year ended 31 December 2018

Results for announcement to market

Continuing Revenue from ordinary activities	up	200%	to	$736,913	from	$245,392
Loss from ordinary activities after tax attributable to members	up	131%	to	($5,574,966)	from	($2,411,865)
Net loss for the period attributable to members	up	131%	to	($5,574,966)	from	($2,411,865)

Dividends

	Amount per share	Franked amount per share
Final	$ nil	n/a
Interim	$ nil	n/a

Record date for determining entitlements to dividends: n/a

Brief explanation necessary to enable the figures above to be understood

Refer to Directors' Report.

Net tangible assets

31 December 2019	Net tangible asset backing: 1.24 cents per share[1]
31 December 2018	Net tangible asset backing: 2.72 cents per share

Notes:

1. This calculation excludes right of use assets and the associated lease liabilities

Other

The Company has no equity interests in any associates or joint ventures.

Accounting standards used in relation to the Company's foreign subsidiaries in compiling this financial report are the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The directors present their report together with the financial report of Adveritas Limited (**Adveritas** or **Company**) and its controlled entities (collectively referred to as **the Group**) for the half-year ended 31 December 2019 and the independent auditor's review thereon.

Directors

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Mr Stephen Belben (Non-Executive Chairman)
Mr Mathew Ratty (Managing Director and Chief Executive Officer)
Mr Renaud Besnard
Mr Mark McConnell
Mr Andrew Stott

Principal Activities

The Company's principal activity during the period was the provision of comprehensive digital advertising fraud prevention through its software as a service (SaaS),

The Company is focussed on growing the business in three key areas:

- Strategic partnerships with aligned tech platforms which will enable TrafficGuard® to expand its reach and allow adoption within partner client bases;
- Expanding operations into North America to service the world's largest digital advertising market and be able to service businesses in every time zone; and
- Evolving the TrafficGuard® fraud-prevention technology to provide impression level fraud prevention for use across programmatic advertising.

Review of operating results

The Company has performed well during the first half of the 2020 financial year:

Sound balance sheet

The Company reports a $3,062,341 cash balance which is to be further bolstered by a research and development grant of $1,287,433 (received in January), $500,000 in placement funds from directors (expected in February), and growing revenues

Growth in customer base and strong sales pipeline

- New clients have been engaged, most notably GO-JEK and MUV. With a valuation approaching US$10 billion and backed by significant global investors including Visa, Google, KKR, Temasek, Blackrock and Tencent Holding, GO-JEK is one of the world's most highly valued and well-funded super apps. MUV is a subsidiary of the world's largest global agency holding group, WPP PLC (LON: WPP, market capitalisation US$12.3 billion).
- Rappi, engaged towards the end of FY2019, and MUV upgraded their initial contracts, highlighting client satisfaction and demonstrating the upsell potential across the entire customer portfolio.
- Numerous TrafficGuard trials are ongoing which the Company is confident will convert into a number of new customers

Sales strategy optimisation

New industry hires, new strategic partner technology integrations (commencing with Amazon Web Services) and the planned launch of a new Freemium service is expected to create an expanded sales funnel with significant upsell potential

Key product enhancements

Additional reporting on invalid traffic by location and device, gives users greater insight into both their genuine and invalid traffic

Key technology enhancements

- Improvements were made to TrafficGuard's portal user interface, reporting and functionality. TrafficGuard's enhanced reporting enables its clients to accurately and rapidly identify growth opportunities whilst protecting them from advertising fraud. TrafficGuard clients can now receive an unprecedented level of granular data analysis regarding:
  - digital traffic quality;
  - fraud detection;
  - advertising activity by campaign, advertising partner, and geographic region;
  - which advertising channels, regions and campaigns are delivering the highest value users.
- Traffic Control, a new feature of TrafficGuard's ad fraud prevention solution, gives users greater control by allowing them to stop traffic based on their own customised validation rules.

Operating result

The Company recorded a loss before tax from continuing operations of $5,574,966 which was higher than that recorded for the comparative period of $2,490,613 largely as a result of the following:

- The Company recognises research and development grants as income when received. The grant of $955,868 for FY2018 was received in December 2018 and included in other income in the half-year ended 31 December 2018. The grant for FY2019 of $1,287,433 was received in January 2019 and consequently not included in other income for the half-year ended 31 December 2019;
- Non-cash share-based payments of $482,621 were recognised in the current period (2018: $116,183);
- A non-cash impairment loss of $113,525 was recognised in the current period in relation to the Company's remaining 10% equity interest in Mpire Network Inc (renamed ClearPier Performance Inc) on the basis that future economic benefits from this investment are not probable (2018: Nil);
- An expected credit loss of $283,935 was recognised in the current period in relation to the deferred consideration owing by ClearPier Inc for its purchase of Mpire Network Inc (2018: Nil); and
- An expected credit loss of $186,945 was recognised in the current period in relation to overdue invoices owing by Mpire Network Inc (2018: Nil).

The Company continues to minimise expenditure in all non-critical areas.

Rounding of amounts

Amounts in this report and the financial report have been rounded to the nearest dollar, unless otherwise indicated.

Auditor's independence declaration

The Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is included following the Directors' Report and forms part of the Directors' Report.

Directors' authorisation

This report is made in accordance with a resolution by the Board of Directors and is signed by authority for and behalf of the directors.

Mathew Ratty
Managing Director

Perth, Western Australia
21 February 2020

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Auditor's Independence Declaration to the Directors of Adveritas Limited

As lead auditor for the review of the financial report of Adveritas Limited for the half-year ended 31 December 2019, I declare 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 review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Mark Cunningham
Partner
21 February 2020

Adveritas Limited

Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income for the Half-Year Ended 31 December 2019

	Note	For the six months ended 31 December 2019 $	31 December 2018 $
Continuing Operations			
Revenue	4	**736,913**	245,392
Other income	5(a)	**11,311**	1,349,569
Overheads			
Server hosting costs		**(1,242,703)**	(626,218)
Administration costs	5(e)	**(247,820)**	(275,553)
Compliance costs	5(f)	**(146,278)**	(167,463)
Consultancy costs	5(d)	**(153,690)**	(313,071)
Employment costs	5(b)	**(2,865,859)**	(2,444,406)
Occupancy costs	5(c)	**(35,619)**	(141,248)
Marketing costs		**(453,250)**	(95,619)
Expected credit losses and bad debt expense	5(g)	**(186,653)**	(3,611)
Foreign exchange differences		**(15,557)**	117,531
Depreciation		**(68,566)**	(19,733)
Finance costs		**(27,114)**	-
		(5,443,109)	(3,969,391)
Other expenses			
Share based payments	11	**(482,621)**	(116,183)
Impairment loss		**(113,525)**	-
Expected credit losses and bad debt expense	5(g)	**(283,935)**	-
		(880,081)	(116,183)
Loss before income tax		**(5,574,966)**	(2,490,613)
Income tax expense	7	**-**	(11,452)
Loss for the period from continuing operations attributable to the members of Adveritas Limited		**(5,574,966)**	(2,502,065)
Discontinued Operations			
Profit after tax for the period from discontinued operations	6	**-**	90,200
Loss for the period attributable to the members of Adveritas Limited		**(5,574,966)**	(2,411,865)
Other comprehensive income net of tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(2,206)**	21,155
Total comprehensive loss for the period attributable to the members of Adveritas Limited		**(5,577,172)**	(2,390,710)
Loss per share attributable to the members of Adveritas Limited			
Basic loss per share (cents)		**(3.15)**	(2.20)
Diluted loss per share (cents)		**(3.15)**	(2.20)

	Note	As at 31 December 2019 $	30 June 2019 $
Assets			
Current assets			
Cash and cash equivalents	8	**3,062,341**	2,046,991
Trade and other receivables	9	**615,524**	545,163
Prepayments		**164,124**	146,248
Total current assets		**3,841,989**	2,738,402
Non-current assets			
Trade and other receivables	9	**-**	255,607
Plant and equipment		**47,682**	59,957
Right-of-use assets		**656,664**	-
Investments	10	**-**	113,525
Goodwill		**34,000**	34,000
Total non-current assets		**738,346**	463,089
Total assets		**4,580,335**	3,201,491
Liabilities			
Current liabilities			
Trade and other payables		**916,727**	696,799
Interest bearing liabilities		**74,862**	-
Provisions		**386,289**	326,254
Total current liabilities		**1,377,878**	1,023,053
Non-current liabilities			
Interest bearing liabilities		**597,056**	-
Provisions		**30,758**	33,952
Total non-current liabilities		**627,814**	33,952
Total liabilities		**2,005,692**	1,057,005
Net assets		**2,574,643**	2,144,486
Equity			
Contributed equity	16	**31,830,288**	26,305,580
Accumulated losses		**(33,657,226)**	(28,082,260)
Share based payment reserve		**4,387,814**	3,905,193
Foreign currency translation reserve		**13,767**	15,973
Total equity		**2,574,643**	2,144,486

	Note	For the six months ended 31 December 2019 $	31 December 2018 $
Cash flows from operating activities			
Receipts from customers		**441,794**	731,552
Payments to suppliers and employees		**(4,931,914)**	(4,775,312)
Grant income received		**-**	955,868
Other income received		**4,646**	11,735
Interest received		**7,928**	4,997
Interest paid		**(27,114)**	(943)
Income tax refund received		**-**	20,378
Income tax paid		**-**	(21,491)
Net cash flows used by operating activities		**(4,504,660)**	(3,073,216)
Cash flows from investing activities			
Purchase of plant and equipment		**(7,343)**	(15,703)
Proceeds on disposal of controlled entity	**6**	**29,458**	500,000
Disposal of cash through sale of controlled entity		**-**	(348,192)
Net cash inflows generated by investing activities		**22,115**	136,105
Cash flows from financing activities			
Proceeds from issues of shares		**5,891,129**	2,647,986
Share issue costs paid		**(348,231)**	(143,853)
Net short term advances under debtor financing facility		**-**	61,398
Lease liability payments		**(35,259)**	-
Net cash flows provided by financing activities		**5,507,639**	2,565,531
Net increase/(decrease) in cash and cash equivalents		**1,025,094**	(371,580)
Cash and cash equivalents at the beginning of the period		**2,046,991**	4,231,884
Effect of exchange rate changes on cash and cash equivalents		**(9,744)**	67,956
Cash and cash equivalents at the end of the period		**3,062,341**	3,928,260

	Contributed equity $	Accumulated losses $	Share based payments reserve $	Foreign currency translation reserve $	Total equity $
Balance at 1 July 2019	**26,305,580**	**(28,082,260)**	**3,905,193**	**15,973**	**2,144,486**
Loss for the half-year	-	(5,574,966)	-	-	(5,574,966)
Other comprehensive income					
Net foreign exchange differences arising on translation of foreign operations	-	-	-	(2,206)	(2,206)
Total comprehensive loss for the half-year	**-**	**(5,574,966)**	**-**	**(2,206)**	**(5,577,172)**
Ordinary shares issued	5,891,129	-	-	-	5,891,129
Share issue costs	(366,421)	-	-	-	(366,421)
Share based payments expense	-	-	482,621	-	482,621
Transactions with equity holders in their capacity as owners	**5,524,708**	**-**	**482,621**	**-**	**6,007,329**
Balance at 31 December 2019	**31,830,288**	**(33,657,226)**	**4,387,814**	**13,767**	**2,574,643**
Balance at 1 July 2018	22,586,507	(21,491,395)	2,658,453	12,346	3,765,911
Loss for the half-year	-	(2,411,865)	-	-	(2,411,865)
Other comprehensive income					
Net foreign exchange differences arising on translation of foreign operations	-	-	-	21,155	21,155
Total comprehensive loss for the half-year	-	(2,411,865)	-	21,155	(2,390,710)
Ordinary shares issued	2,647,986	-		-	2,647,986
Share issue costs	(900,688)	-		-	(900,688)
Share based payments expense	-	-	873,019	-	873,019
Shares issued on vesting of Class D performance rights	13,330	-	(13,330)	-	-
Transactions with equity holders in their capacity as owners	1,760,628	-	859,689	-	2,620,317
Balance at 31 December 2018	24,347,135	(23,903,260)	3,518,142	33,501	3,995,518

1. Corporate information

The interim consolidated financial statements of Adveritas Limited and its subsidiaries (collectively, **the Group**) for the six months ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 21 February 2020.

Adveritas Limited (**Company**) is a for-profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. The principal activities of the Group is the creation of innovative software solutions that leverage big data to drive business performance.

2. Basis of preparation

a) General information

The interim consolidated financial statements for the six months ended 31 December 2019 have been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2019.

The half-year financial statements are presented in Australian dollars.

b) Accounting policies, disclosures, standards and interpretations

Basis of preparation

The Group has not early adopted any of the accounting standards that have been issued but are not yet effective as of balance date. The Group will assess the impact of these new standards during the reporting period to which they are applicable. The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2019, other than as set out below.

(a) AASB 16 Leases

The Group applies, for the first time, AASB16 Leases.

AASB 16 supersedes AASB 117 *Leases* and AASB Interpretation 4 *Determining whether and Arrangement contains a Lease*. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of the leases and requires leases to account for all leases under a single on-balance sheet model.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases at the date of initial application.

The Group also elected to use the practical expedient for lease contracts that, at the commencement date of applying AASB 16, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

2. Basis of preparation (continued)

b) Accounting policies, disclosures, standards and interpretations (continued)

New standards, interpretation and amendments adopted by the Group (continued)

(a) AASB 16 Leases (continued)

The effect of adopting AASB 16 as at 1 July 2019 was as follows:

	Increase / (Decrease) $
Assets	
Right-of-use assets	707,177
Total assets	**707,177**
Liabilities	
Interest bearing liabilities	707,177
Total liabilities	**707,177**
Total equity adjustment	
Retained earnings	-
	-

Nature of the effect of adoption of AASB 16

The Group has lease contracts for office premises and various items of office equipment. Before the adoption of AASB 16, the Group, as the lessee, classified each of its leases at inception as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group, otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments.

For leases classified as finance leases, lease payments were apportioned between interest (recognised as finance costs) and a reduction of the lease liability. For leases classified as operating leases, the leased property was not capitalised and the lease payments were recognised as an expense in profit or loss on a straight-line basis over the lease term.

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets (assets with value less than $5,000). The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

As at the date of application of AASB 16, the Group did not have any leases classified as finance leases.

Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The Group has elected to present the right of use assets separately and the lease liabilities as part of interest bearing liabilities in the Consolidated Statement of Financial Position. The right-of-use assets were recognised based on the amount equal to the lease liabilities. Lease liabilities were recognised based on the present value of the remaining lease payments over the lease term, discounted using the incremental borrowing interest rate at the date of initial application.

2. Basis of preparation (continued)

b) Accounting policies, disclosures, standards and interpretations (continued)

New standards, interpretation and amendments adopted by the Group (continued)

(a) AASB 16 Leases (continued)

The Group also applied the available practical expedients wherein it:

- Applied the short-term leases exemptions to leases with a lease term that ends within 12 months at the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Elected not to separate non-lease components from lease components, and instead account for the lease component and any associated non-lease components as a single lease component

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

	$
Operating lease commitments as at 30 June 2019	**554,726**
Less:	
Impact of discounting lease commitments at the incremental borrowing rate of 8.03%	(67,763)
Commitments relating to short-term leases	(4,545)
Add:	
In substance fixed lease payments	224,759
Lease liabilities as at 1 July 2019	**707,177**

Summary of new accounting policies upon adoption of AASB 16

Set out below are the new accounting policies of the Group upon adoption of AASB 16:

- *Right-of-use assets*

  The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, estimates of costs to be incurred by the group in restoring the underlying asset to the condition required by the terms and conditions of the lease, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

- *Lease Liabilities*

  At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group, and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

2. Basis of preparation (continued)

b) Accounting policies, disclosures, standards and interpretations (continued)

New standards, interpretation and amendments adopted by the Group (continued)

(a) AASB 16 Leases (continued)

Summary of new accounting policies upon adoption of AASB 16 (continued)

- *Lease Liabilities (continued)*

  In calculating the present value of lease payments, the Group its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease agreement is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- *Short-term leases and leases of low-value assets*

  The Group applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below $5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

- *Significant judgement in determining the lease term of contracts with renewal options*

  The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

  The Group has the option, under its lease to lease the assets for additional terms of five years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

  The Group included the renewal period as part of the lease term for its lease of property due to the significance of this asset to its operations. The lease has a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on the Company's operations if a replacement is not readily available.

  For month-by-month leases, the Group has determined it is not reasonably certain that extension options will be exercised. These have been considered short-term leases and the short-term lease exemption has been applied.

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use asset Property $	Lease Liability Property $
As at 1 July 2019	**707,177**	**707,177**
Depreciation expense	**(50,513)**	**-**
Interest expense	**-**	**27,114**
Lease payments	**-**	**(62,373)**
As at 31 December 2019	**656,664**	**671,919**

2. Basis of preparation (continued)

b) Accounting policies, disclosures, standards and interpretations (continued)

New standards, interpretation and amendments adopted by the Group (continued)

(a) AASB 16 Leases (continued)

Summary of new accounting policies upon adoption of AASB 16 (continued)

Set out below, are the amounts recognised in profit and loss:

	Consolidated For the six months ended 31 December 2019 $	31 December 2018 $
Depreciation expense of right-of-use assets	**50,513**	-
Interest expense on lease liabilities	**27,114**	-
Rent expense – short-term assets	**17,326**	-
Rent expense – lease of low-value assets	**875**	-
Total amounts recognised in profit and loss	**95,828**	**-**

Set below is the impact on the Consolidated Statement of Cash Flows (increase/(decrease)):

	31 December 2019 $
Operating lease payments	(35,259)
Net cash flows from operating activities	**(35,259)**
Payment of lease liability	35,259
Net cash flows from financing activities	**35,259**
Net cash flow impact	**-**

(b) AASB Interpretation 23 Uncertainty over income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed. The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

2. Basis of preparation (continued)

c) Accounting policies, disclosures, standards and interpretations (continued)

New standards, interpretation and amendments adopted by the Group (continued)

(c) AASB 16 Leases (continued)

Summary of new accounting policies upon adoption of AASB 16 (continued)

Upon adoption of the Interpretation, the Group considered whether it had any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Consequently, the interpretation did not have an impact on the consolidated financial statements of the Group.

d) Significant estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Refer to the most recent annual financial report for the year ended 30 June 2019 for a discussion of the significant estimates and judgments.

e) Going concern

This financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

During the half-year ended 31 December 2019, the Group incurred a net loss after tax of $5,574,966 and a net cash outflow from operating activities of $4,504,660. The cash and cash equivalents balance, as at 31 December 2019 was $3,062,341. The Group's net current asset position at 31 December 2019 was $2,464,111.

The ability of the Group to pay its trade creditors, employee entitlements, and continue its planned activities and maintain its going concern status is dependent on the Group generating sufficient revenues and/or raising additional funds, as required. As at the date of this report, the directors are satisfied that there are reasonable grounds to believe that the Group will be able to operate as a going concern by raising further funds as required. In forming this view, the directors have considered the ability of the Company to raise funds by way of a capital raising.

There are inherent uncertainties associated with the successful completion of a capital raising. Should the directors not be able to manage these inherent uncertainties and successfully secure funding, there would be significant uncertainty as to whether the Group would be able to meet its debts as and when they fall due and therefore continue as a going concern.

These financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts nor to the amounts or classifications of liabilities that might be necessary should the Group not be able to continue as a going concern.

3. Segment information

The Company's key focus is the commercialisation of its core product, TrafficGuard. The Company disposed of its performance marketing division on 31 July 2018. This division has been designated as a discontinued operation in the financial information reported for the prior period.

The Group's only operating segment is its technology division which is responsible for the development and maintenance of the Group's proprietary software platforms, nxus and TrafficGuard. These activities are conducted primarily at the Group's Australian head office and at its office in Croatia.

Costs allocated to the "other" segment include:

- Occupancy and general administration costs for the Perth head office and the offices in Singapore and New York;
- Employment and consultancy costs relating to the sales and marketing personnel located in Australia, Singapore, England, Latin America and the United States; and
- Employment costs relating to corporate and management team located in Perth.

The board of directors review internal management reports on a monthly basis that are consistent with the information provided in the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows. As a result, no reconciliation is required because, in aggregate, the information as presented is what is used by the board to make strategic decisions. No operating segments have been aggregated.

For the six months ended 31 December 2019	Technology	Other	Consolidated
	$	$	$
Revenue	**736,913**	**-**	**736,913**
Other income	**-**	**4,646**	**4,646**
Overheads	**(3,009,904)**	**(2,621,460)**	**(5,631,364)**
Other expenses	**-**	**(596,146)**	**(596,146)**
EBITDA	**(2,272,991)**	**(3,212.960)**	**(5,485,951)**

For the six months ended 31 December 2019	Technology	Other	Consolidated
	$	$	$
Reconciliation of reportable segment loss			
EBITDA	**(2,272,991)**	**(3,212.960)**	**(5,485,951)**
Interest income	**-**	**6,665**	**6,665**
Interest expense	**(16,552)**	**(10,562)**	**(27,114)**
Depreciation	**(46,439)**	**(22,127)**	**(68,566)**
Loss after income tax	**(2,335,982)**	**(3,238,984)**	**(5,574,966)**

For the six months ended 31 December 2018	Technology	Other	Consolidated
	$	$	$
Revenue	245,392	-	245,392
Other income	967,603	374,484	1,342,087
Overheads	(2,029,927)	(2,035,915)	(4,065,842)
EBITDA	(816,932)	(1,661,431)	(2,478,363)
Reconciliation of reportable segment loss			
EBITDA	(816,932)	(1,661,431)	(2,478,363)
Interest income	-	7,483	7,483
Depreciation	(16,663)	(3,070)	(19,733)
Income tax benefit	(11,452)	-	(11,452)
Loss after income tax	(845,047)	(1,657,018)	(2,502,065)

3. Segment information (continued)

The following tables present assets and liabilities information for the Group's operating segments as at 31 December 2019 and 30 June 2019, respectively.

As at 31 December 2019	Technology	Other	Consolidated
	$	$	$
Assets	**1,263,077**	**3,317,258**	**4,580,335**
Liabilities	**1,336,698**	**668,994**	**2,005,692**

As at 30 June 2019	Technology	Other	Consolidated
	$	$	$
Assets	656,475	2,545,016	3,201,491
Liabilities	763,156	293,849	1,057,005

Geographic information

	Consolidated For the six months ended 31 December 2019	Consolidated For the six months ended 31 December 2018
	$	$
Revenue from external customer by customer location[1]:		
Australia	**73**	-
Foreign countries (refer to note 4 for further details)	**736,840**	245,392
	736,913	245,392
Non-current operating assets by location[2]:		
Australia	**79,930**	87,695
United States	**-**	1,969
Asia Pacific	**462**	2,506
Other	**1,290**	1,787
Total	**81,682**	**93,957**

Notes:
1. Included in revenue from foreign countries is the revenue arising from sales in the technology segment from one customer which amounted to $306,940 (31 December 2018: $245,392).
2. Non-current assets for this purpose consist of property, plant and equipment and goodwill.

4. Revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers.

	Consolidated	
	For the six months ended	
	31 December 2019 $	31 December 2018 $
Revenue by type of goods or services		
Revenue from the sale of software as a service	736,913	245,392
Total revenue from contracts with customers	**736,913**	245,392
Revenue by timing of revenue recognition		
Services transferred over time	**736,913**	245,392
Total revenue from contracts with customers	**736,913**	245,392
Revenue by geographical region		
North America	**307,109**	245,392
Latin America	**251,329**	-
Asia Pacific	**177,928**	-
Middle East	**255**	-
Other	**292**	-
Total revenue from contracts with customers	**736,913**	245,392

5. Other income and expense items

This note provides a breakdown of the items included in other income, various overheads and other expenses shown in the Statement of Profit or Loss and Other Comprehensive Income.

		Consolidated	
		For the six months ended	
		31 December 2019 $	31 December 2018 $
(a)	**Other income**		
	Research and development grant[1]	-	955,868
	Profit on disposal of controlled entity (refer note 6)	**-**	374,484
	Interest income	**6,665**	7,482
	Miscellaneous income	**4,646**	11,735
		11,311	1,349,569
(b)	**Employment costs**		
	Salaries and wages	**2,397,552**	1,914,581
	Ancillary employment costs	**432,195**	414,454
	Other	**36,112**	115,371
		2,865,859	2,444,406
(c)	**Occupancy costs**		
	Rent and variable outgoings	**17,326**	124,724
	Other	**18,293**	16,524
		35,619	141,248

5. Other income and expense items (continued)

		Consolidated	
		For the six months ended	
		31 December 2019	31 December 2018
		$	$
(d)	**Consultancy costs**		
	Legal	**72,341**	135,558
	Investor relations	**61,426**	93,817
	Other	**19,923**	83,696
		153,690	313,071
(e)	**Administration costs**		
	IT costs	**114,483**	149,695
	Office and general administration costs	**83,680**	79,805
	Travel	**49,657**	46,053
		247,820	275,553
f)	**Compliance costs**		
	Accounting fees	**5,861**	5,820
	ASX compliance fees	**90,248**	94,067
	Audit, tax advice and compliance fees	**49,822**	63,029
	Regulatory body fees	**347**	4,547
		146,278	167,463
(g)	**Expected credit losses and bad debt expense**		
	Trade receivables bad debt expense	**35,312**	-
	Trade receivables expected credit loss	**151,341**	3,611
		186,653	3,611
	Other receivables: expected credit loss	**283,935**	-
		283,935	-

Notes:

1. The research and development grant was received from the Australian government in respect of the Group's research and development activities within Australia. Grant income is recognised when the funds are received and all research and development expenses are recognised when incurred. The grant income recognised in the half-year ended 31 December 2018 related research and development activities carried out in the financial year ended 30 June 2018.

6. Discontinued Operation

On 31 July 2018, the Company, via its wholly owned subsidiary, Livelynk Group Pty Ltd (Livelynk), completed the sale of 90% of Mpire Network Inc (subsequently rename ClearPier Performance Inc), to ClearPier Inc for a cash consideration of US$666,817 ($900,000), of which U$370,454 ($500,000) was received upfront and US$296,363 ($400,000) was deferred. The purchase consideration also included a maximum of US$4,445,442 ($6,000,000) under a 3 year profit share agreement. In addition, under the terms of the Sale and Purchase Agreement, Livelynk was due to receive a working capital adjustment amount of US$163,158 ($220,214).

The AUD balances noted above are the AUD values determined at the time the sale was completed. As the deferred consideration and working capital adjustment amounts are denominated in USD, the balances owing at 31 December 2019 have been recognised at the spot rate on 31 December 2019.

An expected credit loss of $283,935 has been recognised in relation to the deferred consideration and working capital adjustment balances owing at 31 December 2019.

6. Discontinued Operation (continued)

The deferred consideration and working capital adjustment amounts owing, net of expected credit losses, have been classified as follows:

	31 December 2019 $	30 June 2019 $
Current trade and other receivables	**283,934**	341,719
Non-current trade and other receivables	**-**	255,607
	283,934	597,326

No amounts have been recognised as a profit or loss on disposal of Mpire Network Inc in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the current period (2018: interim profit of $374,484).

No amounts have been recognised as a profit or loss after tax from discontinued operations in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the current period. The profit after tax from discontinued operations recognised in the half-year ended 31 December 2018 is set out below:

	31 December 2018 $
Revenue	562,616
Cost of services rendered	(342,707)
Gross Profit	219,909
Administration costs	(18,314)
Compliance costs	(12,931)
Consultancy costs	(6,446)
Employment costs	(99,656)
Occupancy costs	(6,444)
Marketing costs	(1,905)
Expected credit losses and bad debt expense	13,524
Foreign exchange differences	(62,848)
Finance costs	(943)
Overheads	(195,963)
Profit before income tax	23,946
Income tax benefit	66,254
Profit after tax for the period	90,200

The net cash flows generated from the sale of Mpire Network Inc are as follows:

	For the six months ended	
	31 December 2019 $	31 December 2018 $
Cash proceeds received: upfront purchase consideration	**-**	500,000
Cash proceeds received: deferred purchase consideration	**29,458**	-
Cash sold as part of the disposal	**-**	(348,192)
Net cash inflow on date of disposal	**29,458**	151,808

6. Discontinued Operation (continued)

The net cash flows generated / (incurred) by the discontinued operation are as follows:

	For the six months ended	
	31 December 2019	31 December 2018
	$	$
Operating	-	(102,508)
Investing	-	-
Financing	-	274,052
Net cash inflow	-	171,544

7. Income tax expense

The Group calculates the income tax for the period using the tax rate that would be applicable to the expected total annual earnings. The income tax amount applicable to the accounting loss before income tax at the statutory income tax rate is reconciled to the income tax amount at the Company's effective income tax rate for the period below:

	Consolidated	
	For the six months ended	
	31 December 2019	31 December 2018
	$	$
Accounting profit / (loss) before tax from continuing operations	**(5,574,966)**	(2,490,613)
Accounting profit / (loss) before tax from discontinued operations	-	23,946
	(5,574,966)	(2,466,667)
Income tax benefit at the statutory income tax rate of **27.5**% (2018: 27.5%)	**1,533,115**	678,333
Adjusted for:		
Non-deductible share-based payments	**(132,721)**	(31,949)
Other non-deductible amounts	**(110,703)**	(17,528)
Profit on disposal of controlled entity	-	102,983
Non-assessable R&D grant income	-	262,864
Tax losses and temporary differences not recognised as a deferred tax asset	**(1,292,412)**	(1,007,132)
Over provision for income tax in prior periods	-	66,254
Difference between the Australian statutory income tax rate and the statutory income tax rate applicable to foreign operations	**2,721**	977
	-	54,802
Income tax benefit / (expense) reported in the statement of profit or loss and other comprehensive income	-	(11,452)
Income tax benefit / (expense) attributable to discontinued operation	-	66,254
	-	54,802

8. Cash and cash equivalents

	Consolidated	
	31 December 2019	30 June 2019
	$	$
Cash at bank on hand	**3,062,341**	2,046,991

Cash at bank and on hand earns interest at floating rates based on daily at call bank deposit and savings rates. Short-term deposits are for a period of 1 month and earn interest at the respective short-term deposit rate.

9. Trade and other receivables

	Consolidated	
	31 December 2019 $	30 June 2019 $
CURRENT		
Trade receivables (a)	**411,264**	151,457
Allowance for expected credit losses (b)	**(186,945)**	(35,603)
Net trade receivables	**224,319**	115,854
Deferred consideration receivable (e)	**567,869**	341,720
Allowance for expected credit loss (b)	**(283,935)**	-
Net deferred consideration receivable	**283,934**	341,720
Income tax refund receivable	**32,920**	33,580
Sundry receivables	**1,273**	2,802
Deposits	**35,962**	35,984
GST receivables	**37,116**	15,223
	615,524	545,163
NON-CURRENT		
Deferred consideration receivable (e)	**-**	255,607
	-	255,607

(a) Trade receivables

Trade receivables are amounts due from customers for the sale of the Group's software as a service. Trade receivables are generally due for settlement within 45 days and are therefore classified as current assets. The Group's accounting policies for trade receivables are outlined in Notes 2(l) and 2(v) of Group's annual financial statements for the year ended 30 June 2019.

(b) Allowance for expected credit losses

The movement in the allowance for expected credit losses is set out below:

	Consolidated	
	31 December 2019 $	30 June 2019 $
Opening balance	**35,603**	-
Allowance for expected credit losses: trade receivables	**186,945**	35,603
Trade receivables written off	**(35,603)**	-
Allowance for expected credit losses: deferred consideration receivable	**283,935**	-
Closing balance	**470,880**	35,603

(c) Fair values of trade and other receivables

The fair value of trade and other receivables is assumed to approximate their carrying amounts due to their relatively short-term nature.

(d) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 19 of the Group's annual financial statements for the year ended 30 June 2019.

(e) Deferred consideration receivable

The deferred consideration receivable relates to the disposal of Mpire Network Inc. on 31 July 2018. Refer further to Note 6.

10. Investments

	Consolidated	
	31 December 2019	30 June 2019
	$	$
Investment at cost	-	113,525
	-	113,525

The Company has a 10% equity interest in Mpire Network Inc. During the period ended 31 December 2019, the Company impaired this investment as no probable future economic benefits are expected to flow from this investment.

11. Share-based payments

The share-based payments expense recognised during the period is comprised as follows:

	31 December 2019		31 December 2018	
	Number issued	$	Number issued[2]	$
Options granted as consideration for investor relations services	-	-	1,000,000	65,004
Options granted as consideration for consultancy services			600,000	33,345
Options granted under the Performance Rights and Options Plan in FY18[1]	-	**60,471**	2,850,000	3,472
Shares issued under Employee Share Plan in FY18[1]	-	**3,777**	-	14,362
Performance rights granted (classes H-O)[1]	-	**298,664**	-	-
Performance rights granted (classes P-R)[1]	**6,000,000**	**88,038**	-	-
Performance rights granted (class S)[1]	**2,500,000**	**5,303**	-	-
Options granted under the Performance Rights and Options Plan in FY19[1]	**600,000**	**11,368**	-	-
Shares to be issued as consideration for investor relation services	-	**15,000**	-	-
		482,621		116,183

Notes:

1. There are vesting conditions attached to these securities. The fair value at grant date is recognised over the vesting period.
2. In addition to the options shown in the table above for the period ended 31 December 2018, 55,500,834 options were issued pursuant to an entitlements issue. The fair value of these options was recognised directly in equity.

Options

For the six months ended 31 December 2019, a share-based payments expense of $71,839 was recognised in relation to options granted during the period (2018: $101,821). The weighted average fair value of options granted during the six months ended 31 December 2019 was $0.06 (2018: $0.05).

Options granted under the Company's Performance Rights and Options Plan

During the period, 600,000 share options were granted to employees under the Company's Performance Rights and Option Plan (2018: 2,850,000 options). The exercise price of the options was set at a premium of 15-20% to the market price of the Company's shares at the time of making the offer to the employees. The options vest if the employees remain in the employment of the Company 12 months after the date of issue of the options.

The fair value at grant date was estimated using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The contractual life of each option granted is 2 years. There is no cash settlement of the options.

11. Share-based payments (continued)

Options (continued)

The fair value of options granted during the period was estimated on the date of grant using the following assumptions:

	Granted in the period ended 31 December 2019		Granted in the period ended 31 December 2018
Exercise price	$0.15	$0.20	$0.15
Expiry date	19/08/2021	21/11/2021	24/12/2020
Dividend yield	0.00%	0.00%	0.00%
Expected volatility	107.99%	101.02%	103.02%
Risk-free interest rate	0.87%	0.79%	1.97%

Other options granted

The fair value of other options granted during the prior period was estimated on the date of grant using the following assumptions:

Exercise price	$0.10	$0.10	$0.15
Expiry date	25/10/2021	7/12/2020	24/12/2020
Dividend yield	0.00%	0.00%	0.00%
Expected volatility	99.34%	100.55%	103.02%
Risk-free interest rate	2.06%	1.92%	1.97%

Performance Rights

Performance rights granted under the Company's Performance Rights and Options Plan

During the period, 8,500,000 performance rights were granted to key management personnel and employees under the Company's Performance Rights and Option Plan (2018: Nil).

For the six months ended 31 December 2019, a share-based payments expense of $104,709 was recognised in relation to performance rights granted during the period (2018: Nil).

The fair value at grant date was estimated using the Black-Scholes pricing model, taking into account the terms and conditions upon which the performance rights were granted.

The fair value of performance rights granted during the period was estimated on the date of grant using the following assumptions:

	Classes P-R	Classes P-R	Class S	Class S
Exercise price	Nil	Nil	Nil	Nil
Expiry date	30/06/2021	30/06/2021	03/05/2022	03/05/2022
Dividend yield	0.00%	0.00%	0.00%	0.00%
Expected volatility	97.55%	96.24%	92.34%	92.18%
Risk-free interest rate	0.75%	0.84%	0.88%	0.89%

The Class S performance rights were issued subsequent to period end.

Employee Incentive Share Plan

Under the Employee Incentive Share Plan, eligible employees may be granted up to $1,000 of fully paid ordinary shares in the Company annually for no cash consideration. The number of shares issued to participants in the scheme is calculated at $1,000 divided by the weighted average closing price of the Company's share price based on the closing ASX market prices over the five trading days before, but not including, the issue date, rounded down to the nearest whole number.

No shares were issued during the current period (2018: nil). The share-based payment expense is recognised over the period of employment of the eligible employees. An amount of $3,777 was recognised in the current period (2018: $14,362).

12. Financial instruments

The Group's principal financial instruments comprise receivables, payables and cash and cash equivalents which arise directly from its operations.

Fair values
Fair values of financial assets and liabilities approximate to carrying values due to their short term to maturity.

13. Related party disclosure

The consolidated financial statements include the financial statements of Adveritas Limited and the entities listed in the following table.

	Country of incorporation	% Equity interest	
		31 December 2019	31 December 2018
Livelynk Group Pty Ltd[1]	Australia	100	100
TrafficGuard Pty Ltd[2]	Australia	100	100
TrafficGuard APACPte Ltd[2]	Singapore	100	100
TrafficGuard US Inc[2,4]	United States	100	-
Appenture d.o.o[2]	Croatia	100	100
Mpire Network Inc[2,3]	Canada	-	10

Notes:
1. equity interest is held directly by Adveritas Limited.
2. equity interest is held directly by Livelynk Group Pty Ltd.
3. the operating results of the Canadian entity, Mpire Network Inc, are included in the prior period Consolidated Statement of Profit or Loss and Other Comprehensive Income for the period 1 July 2018 to 31 July 2018, the date on which it was sold.
4. TrafficGuard US Inc was incorporated on 5 February 2019.

14. Commitments and contingencies

a) Operating Lease Commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Consolidated	
	31 December 2019 $	30 June 2019 $
Within one year	**2,816**	85,439
After one year but not more than five years	**-**	315,871
More than five years	**-**	153,416
	-	554,726

b) Property, Plant and Equipment Commitments

At balance date the Group had no contractual obligations to purchase plant and equipment (30 June 2019: nil).

c) Contingent Liabilities

At balance date the Group had no pending legal claims or other contingent liabilities (30 June 2019: nil).

15. Events after the balance sheet date

No event has arisen since 31 December 2019 that would be likely to materially affect the operations of the Group or its state of affairs which has not otherwise been disclosed in this financial report.

16. Contributed equity

a) Issued capital

	Consolidated	
	31 December 2019 $	30 June 2019 $
Ordinary shares, fully paid	**31,830,288**	26,305,580

b) Movements in share capital

	31 December 2019		30 June 2019	
	Number	$	Number	$
Balance at the beginning of the period	**158,898,924**	**26,305,580**	88,797,667	22,586,507
Shares issued on conversion of Class D Performance Rights	**-**	**-**	33,332	13,330
Shares issued on exercise of options	**-**	**-**	4,500	450
Shares issued pursuant to an Entitlements Issue	**-**	**-**	53,278,600	2,397,537
Shares issued pursuant to a placement	**46,475,581**	**5,891,129**	15,926,302	2,327,840
Shares issued as consideration for placement services	-	-	858,523	71,256
Shares issue costs	**-**	**(366,421)**	-	(1,091,340)
Balance at the end of the period	**205,374,505**	**31,830,288**	158,898,924	26,305,580

c) Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. At shareholders meetings, each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

In accordance with a resolution of the directors of Adveritas Limited, I state that:

In the opinion of the directors:

(a) The financial statements and notes of Adveritas Limited for the half-year ended 31 December 2019 are 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 2019 and of its performance for the half-year ended on that date; and

   (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

(b) Subject to note 2(e), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board.

Mathew Ratty
Managing Director

Perth, Western Australia
21 February 2020

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Independent Auditor's Review Report to the Members of Adveritas Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Adveritas Limited (the Company) and its subsidiaries (collectively the Group), which comprises the interim consolidated statement of financial position as at 31 December 2019, the interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(e) in the financial report, which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

Building a better working world

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Ernst & Young

Mark Cunningham
Partner
Perth
21 February 2020