OTHERLEVELS

# OtherLevels Holdings Limited

ACN 603 987 266

## Annual report

## For the year ended 30 June 2017

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# Annual report for the year ended 30 June 2017

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## Chairman and Managing Director's message

Dear fellow shareholders,

On behalf of the Board we are pleased to present the annual report of OtherLevels Holdings Limited ("**OtherLevels**", or the "**Company**") for the financial year ending 30 June 2017 ("FY17").

While FY17 saw revenue of $3.37m, a 3% decrease compared to FY16, underlying contract growth was 9% when compared to the prior period using constant FY16 exchange rates. This was reflected in double digit underlying growth in the UK and Australia. The Company continued to see strong growth from existing customers which validates OtherLevels 'land and expand' strategy.

Revenue from the UK operations grew 15% from £966,000 to £1.1m and the UK continued to win new customers whilst also growing existing ones. As of June 30, 2017, there were two UK customers with trailing twelve month spend of greater than £300,000 per annum, and another three customers at greater than £150,000 per annum. The UK operation also expanded further into Europe with new customer wins in central Europe.

The Australian business benefited from investment in dedicated sales resources, evidenced by a 60% growth in revenue from A$388,000 to A$621,000. There are now three Australian customers with trailing twelve month spend with OtherLevels at A$100,000 per annum or greater.

Due to the previously announced FY16 restructuring and cost reductions in the US, revenue from US operations decreased from US$821,000 to US$664,000, but core customers have been retained.

Professional services represented 31% of FY17 revenues due to the increased proportion of licence revenues in H2 FY17. Included are the first managed service revenues, representing 22% of professional services revenues: Managed service revenues deliver a more predictable, higher margin professional service revenue stream.

EBITDA improved year on year by $2.5m against the previous year, an improvement of 39%, to a loss of $4.1m, and similarly NPAT improved to a reduced loss of $4.5m, an improvement of 29%.

The Company continued its strong progress towards its goal of positive operating cash flow resulting in a decrease in cash operating and investing costs of 29% from $2.7m in Q4 FY16 to $1.9m in Q4 FY17.

The Company continues to focus on the wagering and lotteries sector, and during the period seven customers were added from this sector. This included additional customers in the UK, Europe, US and Australia. The Company will continue to target this sector as OtherLevels continues to build expertise, knowledge and reputation in this sector.

As a result of the restructuring of US operations, and other cost reduction measures, costs per quarter decreased across the period by 29% between the Q4 FY16 and Q4 FY17, with quarterly cash burn continuing to decrease from A$1.7m to A$384k over the same period. The Company continues to maintain a strong focus on attaining the right balance of investment in sales growth and the associated timing of sales revenues in relation to our cash resources.

During the year, the Company raised $1.1m as a placement from an existing investor. In addition, the Company also announced that the Chairman, and CEO, had entered into a joint loan facility of A$800,000.

After the reporting period, on 4th July 2017, OtherLevels also announced that it had put in place a two year funding facility of A$1.35m, supported by a number of sophisticated investors, together with the Chairman and CEO, subject to approval at an EGM scheduled in early September.

OtherLevels has also applied for a Research and Development rebate of $733,000 for the FY17 year, which should be receipted in the first half of FY18.

## Chairman and Managing Director's message

The Company's Board and management will continue to closely monitor cash flow and will adjust costs, if required, in order to ensure that OtherLevels is in the best financial position to optimise operational performance and maximise shareholder returns.

The core strategy of OtherLevels remains consistent with the strategy outlined previously, which is:

- Securing new customers in key focus segments
- Expanding existing customers
- Retaining high value enterprise customers

within a focused set of market sectors (wagering and lotteries, and loyalty membership). This is supported by selective partnerships, with the goal of increasing distribution while managing cost of sales.

OtherLevels will continue to grow revenues with existing customers by:

(a) expanding message volumes as more users engage through digital channels.
(b) growing the OtherLevels platform via additional apps, mobile web and desktop sites;
(c) adopting OtherLevels expanded product range of new message types – for example web push, as well as other new billable features; and
(d) providing managed marketing services and other value added services.

OtherLevels has also continued to enhance the OtherLevels 2.0 platform, and added two new modules - Action Engine, designed to enable real-time messaging, and web notifications ("web push"). Web push is OtherLevels fastest growing message format, and can reach desktop and Android mobile web users. As such it greatly expands the size of the potential audience for OtherLevels customers, hence will be a key driver of message volumes in FY18.

OtherLevels continues to expand the core IP centered on Intelligent Messaging. This remains a strategic initiative for the company, and central to creating long term sustainable value. Intelligent Messaging, powered by AI and machine learning, adds significant value to the partnership with Amplero, and will be a strong feature of the OtherLevels Salesforce integration.

Selected strategic partnerships increase OtherLevels distribution capabilities, and include Amplero, Optimove, Tealium and Salesforce. OtherLevels announced a strategic partnership with Amplero, including the first joint customer, and the exclusive right to resell the Amplero platform into the UK and European lottery and wagering sectors. During Q4 FY17 OtherLevels enhanced integration with Salesforce, and the OtherLevels add-in has been released within the SalesForce appexchange.

Through FY18 the Company will maintain a laser focus on achieving and then maintaining positive operational cash flow, and will continue with careful cost management strategies.

OtherLevels wishes to acknowledge the outstanding contribution of our employees, who remain central to our Company's success.

We would also like to thank all of our shareholders for their continued support and invite you to attend the upcoming AGM. We look forward to seeing you there.

Yours faithfully,

**Brian Mitchell**
**Chairman**

**Brendan O'Kane**
**Managing Director**

| Principle | | Complies | Note |
|---|---|---|---|
| ***Principle 1 – Lay solid foundations for management and oversight*** | | | |
| 1.1 | Establish the functions expressly reserved to the Board and those delegated to management, and disclose those functions. | ✓ | See the Board Charter on the company's website. |
| 1.2 | Undertake appropriate checks before appointing a person as a director, and provide shareholders with all material information relevant to a decision on whether or not to elect or re-elect a director. | ✓ | See the Board Charter on the company's website. |
| 1.3 | Have a written agreement with each director and senior executive setting out the terms of their appointment. | ✓ | See the Board Charter on the company's website. |
| 1.4 | The company secretary should be accountable directly to the Board on all matters to do with the proper functioning of the Board. | ✓ | See the Board Charter on the company's website. |
| 1.5 | Establish a diversity policy and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and the progress in achieving them, for reporting against in each reporting period. | ✗ | The Nomination Committee met subsequent to the end of the financial year, and concluded that at this stage of the Company's development it is not appropriate to establish a formal diversity policy due to the limited number of personnel employed. |
| 1.6 | Have a process for periodically evaluating the performance of the Board, its committees and individual directors, and discloses that process and, at the end of each reporting period, whether such performance evaluation was undertaken in that period. | ✓ | The Nomination Committee oversaw the conduct of a Board Performance Evaluation which included the role, composition, operation and performance of the Board. This self-assessment highlighted that increased focus was required in a number of areas including Board and executive succession planning and some aspects of risk and compliance, which have subsequently received greater Board time and attention. |

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| 1.7 | Have a process for periodically evaluating the performance of the Company's senior executives, and disclose that process and, at the end of each reporting period, whether such an evaluation was undertaken. | ✓ | See the Board Charter on the company's website. |
| ***Principle 2 – Structure the Board to add value*** | | | |
| 2.1 | The Company should have a Nomination Committee, which has at least three members, a majority of independent directors and is chaired by an independent director.<br>The functions and operations of the Nomination Committee should be disclosed. | ✘ | Given the current nature and scale of OtherLevels' activities, the Company considers it appropriate that the full Board should undertake the responsibilities of the Nomination Committee. |
| 2.2 | Have and disclose a board skills matrix, setting out what the Board is looking to achieve in its membership. | ✘ | The Board completed a skills matrix in 2016 which identified the skills and competencies of directors, a summary of which appears in this Annual Report. The Board considers that its current practices of identifying skills and competencies are appropriate for the needs of the Company, taking into account the size of its operations, board structure and composition. The Board will review its position annually. |
| 2.3 | Disclose the names of the directors that the Board considers to be independent directors, and an explanation of why the Board is of that opinion if a factor that impacts in independence applies to a director and disclose the length of service of each director. | ✓ | See the attached Directors' Report. |
| 2.4 | A majority of the Board should be independent directors. | ✘ | The current size and scope of the Company's activities do not justify the appointment of |

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| | | | additional directors at this stage. |
| 2.5 | The chair of the Board should be an independent director and should not be the CEO. | ✘ | The Board believes the deemed non-independence of the Chairman does not impede proper oversight of the CEO / Managing Director by the Chairman. |
| 2.6 | There should be a program for inducting new directors and providing appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively. | ✓ | See the Board Charter on the company's website. |
| ***Principle 3 – Act ethically and responsibly*** | | | |
| 3.1 | Have a code of conduct for the Board, senior executives and employees, and disclose that code or a summary of that code. | ✓ | See the Code of Conduct contained in the Board Charter on the Company's website. |
| ***Principle 4 – Safeguard integrity in corporate reporting*** | | | |
| 4.1 | The Company should have an Audit Committee, which consists of only non-executive directors, a majority of independent directors, is chaired by an independent chairman who is not chairman of the Board and has at least three members.<br>The functions and operations of the Audit Committee should be disclosed. | ✘ | The company complies to the extent that an independent director is the committee chair. The current size and scope of the Company's activities do not justify the appointment of additional directors at this stage.<br>Qualifications of Audit Committee members are disclosed in the attached Directors' Report. |
| 4.2 | The Board should, before approving financial statements for a financial period, receive a declaration from the CEO and CFO that, in their opinion, the financial records have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, formed on the basis of a sound system of risk management and internal controls, operating effectively. | ✓ | This is consistent with the approach adopted by the Board and the Audit and Risk Management Committee. |
| 4.3 | The Company's auditor should attend the AGM and be available to answer questions from security holders relevant to the audit. | ✓ | OtherLevels' auditor is requested to attend its AGM |

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| | | | and shareholders will be invited to ask questions. |
| ***Principle 5 – Make timely and balanced disclosure*** | | | |
| 5.1 | Have a written policy for complying with continuous disclosure obligations under the Listing Rules, and disclose that policy or a summary of it. | ✓ | See the Continuous Disclosure Policy on the Company's website. |
| ***Principle 6 – Respect the rights of security holders*** | | | |
| 6.1 | Provide information about the Company and its governance to investors via its website. | ✓ | The Board Charter and other applicable policies are on the Company's website. |
| 6.2 | Design and implement an investor relations program to facilitate effective two-way communication with investors. | ✓ | The Company is committed to providing regular financial and operational updates to shareholders to facilitate effective two-way communication. To that end, the Company has an investor relations program that includes a financial calendar announcing the release dates of its financial results and market updates; operational (i.e. non-financial) updates; and market briefings and securityholder, analyst and prospective investor meetings. This program ensures that investor information, which is also available on the Company's website, is provided on at least a quarterly basis. |
| 6.3 | Disclose the policies and processes in place to facilitate and encourage participation at meetings of security holders. | ✗ | The Company has not disclosed a formal policy or process, but has engaged a recognised and reputable share registry service provider to further these objectives. |
| 6.4 | Give security holders the option to receive communications from, and send communications to, the Company and its share registry electronically. | ✓ | The Company has instructed its share registry to facilitate this option. |
| ***Principle 7 – Recognise and manage risk*** | | | |
| 7.1 | The Board should have a Risk Committee which is structured so that it consists of a majority of | ✗ | The Company does not have a separate Risk Committee, however the Board has |

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| | independent directors, is chaired by an independent director, and has at least three members.<br>The functions and operations of the Risk Committee should be disclosed. | | formed the view that the Audit and Risk Management Committee is appropriately structured and independent from the Chairman and executive to effectively fulfil its role. |
| 7.2 | The Board or a committee of the Board should review the Company's risk management framework with management at least annually to satisfy itself that it continues to be sound, and disclose, in relation to each reporting period, whether such a review has taken place. | ✘ | In accordance with the Audit & Risk Management Committee Charter, the Committee reviews the Company's risk management framework annually. In May 2017, the Audit & Risk Management Committee reviewed the Company's risk framework and identified a number of specific risks to be approved by the Board. |
| 7.3 | Disclose if the Company has an internal audit function, how the function is structured and what role it performs, or if it does not have an internal audit function, that fact and the processes the Company employs for evaluating and continually improving the effectiveness of its risk management and internal control processes. | ✘ | The Company does not comply due to the nature and scale of operations. However, the Board believes it and the Audit and Risk Management Committee have adequate oversight of the existing operations. |
| 7.4 | Disclose whether the Company has any material exposure to economic, environmental and social sustainability risks and, if so, how it manages those risks. | ✓ | See the Directors' Report and Notes to the Financial Statements. |
| ***Principle 8 – Remunerate fairly and responsibly*** | | | |
| 8.1 | The Board should have a Remuneration Committee which is structured so that it consists of a majority of independent directors, is chaired by an independent director, and has at least three members.<br>The functions and operations of the Remuneration Committee should be disclosed. | ✘ | The Company does not comply due to the nature and scale of operations. Tanya Cox, who is a member of the Remuneration Committee, is an independent director.<br>See the Directors' Report for details of the committee members and attendance at Remuneration Committee meetings. |
| 8.2 | The policies and practices regarding the remuneration of non-executive directors, and the remuneration of executive directors and other senior executives, should be separately disclosed. | ✓ | See the attached Remuneration Report. |

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| 8.3 | If the Company has an equity-based remuneration scheme, it should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme, and disclose that policy or a summary of it. | ✓ | See the Securities Trading Policy on the Company's website. |

The directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of OtherLevels Holdings Limited ("OtherLevels" or the "Company") and the entities it controlled, for the year ended 30 June 2017.

**Directors**

Directors of the Group during the financial year and up to the date of this report are listed below. Directors were in office for the entire period unless noted otherwise.

- Brian Mitchell
- Brendan O'Kane
- Steve Baxter (resigned effective from 31 December 2016)
- Tanya Cox
- Ian Lowles

See pages 12 to 13 for profile information on the directors.

**Principal activities**

During the year the principal activity of the Group was the conduct of a digital marketing Software-as-a-Service (SaaS) business to enable leading enterprises to communicate with their users on mobile and smart devices. OtherLevels also provides training, implementation, report customisation and other enterprise services to its customers.

**Dividends**

No dividends were paid to members during the year. Since the end of the year, no dividend has been declared or paid.

**Review of operations**

*Operating Results*

OtherLevels is a second generation digital marketing platform offered as a cloud based Software-as-a-Service solution.

The core product includes technologies which enable message types, across a range of platforms, to provide data which is useful for analysis and tools to analyse and action results of that data.

OtherLevels leverages the way in which smart devices provide informed feedback on a user's behaviour. This data significantly enhances the marketing conversations that OtherLevels' customers are able to have with their users.

Revenue for the year ended 30 June 2017 was $3,367,293 (2016: $3,481,443).

Access to OtherLevels' platform is sold as a licence, with pricing based on number of messages tracked, level of automation and ancillary services. Licences comprised 69.4% (2016: 64.2%) of total revenue for the year.

The Company has experienced a high percentage of contract renewal and extensions, for reasons including the integration of the OtherLevels platform into its customers' applications and marketing practices.

OtherLevels also provides supplementary and value added services including training, implementation and report customisation services to support its core software offering. Services comprised 23.9% (2016: 35.8%) of total revenue for the year.

OtherLevels also provided $225,000 of managed services during the year.

For the year ended 30 June 2017, OtherLevels reported a net loss after tax of $4,532,737 (2016: $6,359,285)

*Financial Position*

At 30 June 2017, the Group had net assets of $247,674 (2016: $3,561,349) and cash on hand of $385,497 (2016: $2,317,584).

The OtherLevels strategy to provide the leading enterprise marketing automation platform remains unchanged, with the launch of OtherLevels 2 and Action Engine. The Company remains focused on taking advantage of the continued shift in enterprise marketing spend to mobile, and the growth of mobile devices.

**Significant changes in the state of affairs**

Other than what has been stated above, there have been no further significant changes in the state of affairs of the Company for the year ended 30 June 2017.

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

On the 4 July 2017, the Company announced that it had secured a $1.35 million loan facility from a syndicate of sophisticated and professional investors, led by the Chairman and the Managing Director (Brian Mitchell and Brendan O'Kane).

The key details are as follows:

- A total loan facility of $1.35 million, of which an aggregate amount of $0.5 million has been provided by Brian Mitchell and Brendan O'Kane.
- The loan from the Directors is in addition to their existing unsecured facility (and will be on the same terms as the existing facility, pending shareholder approval), which has an outstanding balance of $0.5 million. The existing facility will remain in place with any interest capitalised and will not be repaid until the new facility and associated interest is repaid;
- Interest rate of 16% per annum, paid monthly in advance;
- An establishment fee of 1% for all lenders except for the Directors, who have waived this fee;
- Loan facility term of two years ending 30 June 2019;
- Each lender is entitled to receive 750,000 options for each $50,000 committed (with any issue to Directors subject to shareholder approval). The options have a strike price of $0.04, which may be exercised on a 1:1 basis, and expiring on the date that is 12 months after repayment of the loan in full.

On 4 September 2017, the Company will hold an Extraordinary General Meeting to seek shareholder approval for the two Directors to participate on the same terms as the other lenders for their new loan and for the issue of options.

Other than the matters noted above, no other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Group's state of affairs in future financial years

**Likely developments and expected results of operations**

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

**Environmental regulation**

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

**Information on directors**

The following information is current as at the date of this report.

| | |
|---|---|
| **Brian Mitchell** | **Non-executive Chair** |
| Qualifications | FAICD, FAMI, AFAIM |
| Experience | Mr Mitchell was appointed Chair and non-executive director of the Company in February 2015. Mr Mitchell has been a director of OtherLevels Pty Ltd since February 2012.<br>Mr Mitchell has broad experience in the information technology sector, having spent more than 30 years in senior management roles in the UK, USA, Australia and Asia Pacific. Most recently, he was Senior Vice President, Oracle Asia Pacific, responsible for growing Oracle's expanding software and consulting services across the region. |
| Other current ASX directorships | Chair of Bravura Solutions Limited (since 16 December 2009) |
| Former ASX directorships in last three years | Director of Onthehouse Holdings Limited (from 25 September 2014 until 27 February 2015)<br>Director of UXC Limited (from 24 October 2012 until 28 February 2016) |
| Special responsibilities | Chair of the Board<br>Chair of the Nomination Committee<br>Member of the Audit & Risk Management Committee<br>Member of the Remuneration Committee |
| Interest in shares and options | 17,668,853 shares in OtherLevels Holdings Limited<br>542,101 options to acquire shares in OtherLevels Holdings Limited |

**Information on directors - continued**

| | |
|---|---|
| **Brendan O'Kane** | **Managing Director and Chief Executive Officer** |
| Qualifications | B. Sc. (Hons), MAICD |
| Experience | Mr O'Kane is the founder of the OtherLevels Group and is also the Managing Director and Chief Executive Officer.<br>Mr O'Kane has an extensive software engineering background, combined with a successful 15 year sales and marketing career with US software companies, including senior appointments with Oracle Corporation in the UK, Europe and the Asia Pacific region. |
| Other current ASX directorships | None |
| Former ASX directorships in last three years | None |
| Special responsibilities | Managing Director<br>Chief Executive Officer<br>Member of the Nomination Committee |
| Interest in shares and options | 31,056,196 shares in OtherLevels Holdings Limited<br>3,609,337 options to acquire shares in OtherLevels Holdings Limited |
| | |
| **Tanya Cox** | **Independent Non-executive Director** |
| Qualifications | MBA, FAICD, FGIA, FCIS |

| | |
|---|---|
| Experience | Ms Cox was appointed to the Board of OtherLevels as an independent director in February 2015.<br>Ms Cox is an experienced non-executive director and a financial services professional with more than 25 years' experience. Most recently Ms Cox was Chief Operating Officer and Company Secretary of DEXUS Property Group for over a decade. |
| Other current ASX directorships | Director of BuildingIQ Inc. (since 21 August 2015) |
| Former ASX directorships in last three years | None |
| Special responsibilities | Chair of the Audit & Risk Management Committee<br>Member of the Remuneration Committee<br>Member of the Nomination Committee |
| Interest in shares and options | 344,578 shares in OtherLevels Holdings Limited<br>542,101 options to acquire shares in OtherLevels Holdings Limited |
| **Ian Lowles** | **Non-executive Director** |
| Qualifications | MAICD |
| Experience | Mr Lowles was appointed as a non-executive director of the Company in February 2015. Mr Lowles has been a director of OtherLevels Pty Ltd since February 2012.<br>Mr Lowles has spent more than 25 years in senior management roles in the software industry and lived and worked in the UK, Europe, CIS, Australia and Asia Pacific. In recent times he has used his expertise in the mobility and carrier sector in the Asia Pacific, China and Japan as Regional Vice President for Mformation Corporation, Aylus Technologies and Openwave Mobility. |
| Other current ASX directorships | None |
| Former ASX directorships in last three years | None |
| Special responsibilities | Chair of the Remuneration Committee<br>Member of the Audit & Risk Management Committee<br>Member of the Nomination Committee |
| Interest in shares and options | 12,582,407 shares in OtherLevels Holdings Limited<br>542,101 options to acquire shares in OtherLevels Holdings Limited |

**Company Secretary**

The Company Secretary from 1 July 2016 to the 30 September 2016 was Peter Harding-Smith. The Company Secretary from 30 September 2016 was Andrew Ritter.

Mr Ritter was appointed to the role of Chief Financial Officer and Company Secretary following the resignation of Mr Harding-Smith. Mr Ritter has over 18 years international finance experience, with recent roles as CFO and Company Secretary of two ASX listed IT & Telco organisations (GBST and IntraPower Limited). Andrew is a Chartered Accountant, holds a Bachelor of Commerce degree, a Graduate Diploma of Applied Corporate Governance and is a Fellow of the Governance Institute of Australia and the International Institute of Chartered Secretaries and Administrators.

### Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board Committee held during the year ended 30 June 2017, and the number of meetings attended by each Director were:

| | Meetings of Directors & Committees | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Full Meeting of Directors | | Audit and Risk Management | | Remuneration | | Nomination | |
| | A | B | A | B | A | B | A | B |
| Brian Mitchell | 13 | 13 | 2 | 2 | ^ | ^ | 2 | 2 |
| Brendan O'Kane | 13 | 13 | * | * | * | * | 2 | 2 |
| Steve Baxter | 7 | 5 | 1 | 1 | 1 | 1 | 1 | 1 |
| Tanya Cox | 13 | 13 | 3 | 3 | 1 | 1 | 2 | 2 |
| Ian Lowles | 13 | 13 | 3 | 2 | 1 | 1 | 2 | 2 |

A Number of meetings held during the time the director held office or was a member of the committee during the year.
B Number of meetings attended as a director or committee member.
^ Brian Mitchell became a member of the Remuneration Committee on 1 January 2017, which was after the only meeting of the Remuneration Committee for the year.
* Not a member of the relevant Board Committee.

**Remuneration Report - audited**

This Remuneration Report outlines the overall remuneration strategy, framework and practices adopted by the Group for Non-executive Directors, Executive Director and other Key Management Personnel.

The Remuneration Report contains the following sections:

A Directors and other Key Management Personnel disclosed in this report
B Remuneration governance
C Executive remuneration policy and framework
D Relationship between remuneration and the Group's performance
E Non-executive Director remuneration policy
F Details of remuneration of Directors and Key Management Personnel
G Service agreements
H Equity instruments held by Key Management Personnel
I Additional information

The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

**A Directors and other Key Management Personnel disclosed in this report**

The Key Management Personnel include those who have the authority and responsibility to plan, direct and control the major activities of the Group.

| The Group's Directors and other Key Management Personnel (KMP) | |
|---|---|
| Brian Mitchell | Chair (Non-executive) |
| Brendan O'Kane | Managing Director and Chief Executive Officer (Executive) |
| Steve Baxter | Director (Non-executive – resigned 31 December 2016) |
| Tanya Cox | Director (Independent Non-executive) |
| Ian Lowles | Director (Non-executive) |
| Peter Harding-Smith | Chief Financial Officer & Company Secretary (resigned 30 September 2016) |

**B Remuneration governance**

The Remuneration Committee's objectives for OtherLevels' remuneration framework are for the framework to be:

- competitive and reasonable, enabling the Group to attract and retain key talent in the jurisdictions in which it operates;
- aligned to the Group's strategic and business objectives and the creation of shareholder value;
- transparent and easily understood, and
- acceptable to shareholders.

The objectives of the Group's remuneration policies are to ensure that remuneration packages of executive KMP reflect their duties, responsibilities and level of performance, as well as to ensure that all executive KMP are motivated to pursue the long-term growth and success of the Group.

Fundamental to all remuneration arrangements is that executive KMP must contribute to the achievement of short and long-term objectives, enhance shareholder value, avoid unnecessary or excessive risk taking and discourage behaviour that is contrary to the Group's values.

Details of the short and long-term incentive schemes are set out below in the "Executive Remuneration Policy and Framework" section of the Remuneration Report.

**Remuneration Report – Continued**

*Securities Trading Policy*

The trading of shares issued to eligible employees under any of the Group's employee equity plans is subject to, and conditional upon, compliance with the Group's Securities Trading Policy. The Directors and executive KMP must not use OtherLevels securities in connection with a margin loan or similar financing arrangement, nor are they permitted to engage in hedging activities, deal in derivatives or enter into other arrangements that limit the economic risk associated with OtherLevels securities.

**C Executive remuneration policy and framework**

The Board reviews the remuneration packages of executive KMP annually by reference to individual performance against individual objectives and the Group's consolidated results. The performance review of the Managing Director/Chief Executive Officer is undertaken by the Board. The Remuneration Committee and the Board review the performance and salaries of other executive KMP and direct reports of the Managing Director/Chief Executive Officer.

The Group aims to reward executive KMP with a level of remuneration commensurate with their responsibilities and position within the Group, and their ability to influence shareholder value creation. The remuneration framework links rewards with the strategic objectives and performance of the Group.

The executive KMP remuneration framework has three components:

- fixed base pay and benefits, including superannuation;
- short-term incentives (STI); and
- long-term incentives (LTI) through participation in the Employee Share Option Plan, which has been approved by the Board.

The combination of these components comprise the total remuneration package of executive KMP.

*Base pay*

Base pay may be delivered as a combination of cash and prescribed non-financial benefits at the discretion of the KMP. Executive KMP are offered a modest base pay that comprises cash salary, superannuation and non-monetary benefits. Base pay for executive KMP is reviewed annually. No change to base pay was recommended by the Remuneration Committee during FY16 or FY17. The Remuneration Committee aims to position base pay at or below the median, with flexibility to take into account capability, experience, and value to the organisation and performance of the individual.

*Retirement benefits for KMP*

There are no retirement benefits made available to KMP, other than as required by statute or by law.

*Short-term incentives (STI)*

To ensure that remuneration for executive KMP is aligned to the Group's performance, a significant component of each executive KMP's remuneration package is performance based and, therefore, "at risk".

Executive KMP have the opportunity to earn an annual STI award if pre-defined targets are achieved. STI opportunities for executive KMP vary depending on the role, responsibility and ability to influence the performance of the Group.

**Remuneration Report – Continued**

KPIs for executive KMP STI awards included:

| KMP | STI Key Performance Indicators | |
|---|---|---|
| | 2017 | 2016 |
| Brendan O'Kane | New Client Revenue<br>Invoicing/Cash<br>EBIT target<br>Corporate and Organisational Development | New Client Revenue<br>Invoicing/Cash<br>EBIT target<br>Business Strategy<br>Technology Roadmap<br>Evolving Corporate Structure |
| Peter Harding-Smith | Operating deliverables<br>Operating costs<br>Regulatory/compliance | Operating deliverables<br>Operating costs<br>Regulatory/compliance |
| Ramsey Masri | | Specific revenue targets<br>EBIT target |
| Alex Scott | | Operating deliverables<br>Operating costs<br>Regulatory/compliance |

Details of performance based STI awards granted during the year are:

| KMP | Potential Full Year $ | Potential Period $ | Awarded $ |
|---|---|---|---|
| **2017** | | | |
| Brendan O'Kane | 120,000 | 120,000 | 56,400[1] |
| Peter Harding-Smith | 50,000 | 12,500 | - |
| | | | |
| **2016** | | | |
| Brendan O'Kane | 85,000 | 85,000 | 42,500[2] |
| Ramsey Masri | 240,286 | 191,541 | 191,541 |
| Alex Scott | 50,000 | 41,667 | 25,833[2] |
| Peter Harding-Smith | 50,000 | - | - |

1 The amount awarded to Brendan O'Kane in 2017 was fully accrued at 30 June 2017.
2 The amount awarded in 2016 included an amount accrued at 30 June 2016 of $17,000 for Brendan O'Kane and $25,833 for Alex Scott.

*Long-term incentives (LTI)*

OtherLevels' Long Term Incentive (LTI) framework has the objective of delivering long-term shareholder value, by incentivising and retaining key personnel, to achieve sustained financial performance. The Board has adopted this framework in recognition of the need to attract the best talent to OtherLevels in competition with larger more established companies and others in a similar stage of development.

OtherLevels' LTI framework is based on the Employee Share Option Plan (ESOP). All grants under the Plan are considered by the Remuneration Committee and if endorsed a formal resolution is presented to the Board for approval. The key criteria the Remuneration Committee applies to evaluate a proposed LTI award is detailed in the framework.

**Remuneration Report – Continued**

During the year ended 30 June 2017, Brendan O'Kane was granted 1,200,000 options, approved by shareholders at the AGM on 30 November 2016. Vesting of these options is subject to achievement of specific FY17 KPI's. Refer to Note 24 for details of share-based payments.

## D Relationship between remuneration and the Group's performance

The overall level of reward for executive KMP takes into account the performance of the Group over a number of years, with STI awarded based on current year performance and LTI earned in the event that the Group meets predetermined financial hurdles in future years.

In considering STI awards for executive KMP as at 30 June 2017, the Remuneration Committee had regard to target revenue, cash and EBIT objectives, and the following indices:

| | IPO | 30 June 2015 | 30 June 2016 | 30 June 2017 |
|---|---|---|---|---|
| OLV share price | $0.20 | $0.15 | $0.065 | $0.03 |

## E Non-executive Director remuneration policy

Non-executive Director's fees are determined within an aggregate Directors' fee pool limit. Non-executive Directors are also eligible to participate in the ESOP.

The maximum annual aggregate Directors' fee pool limit is $400,000 per annum. Aggregate total Directors' fees are currently $170,000 per annum.

Fees earned are based on responsibilities and vary for the Board's Chair, for membership of a Board Committee and for the Chair of each Board Committee. Non-executive Directors' fees reflect the demands that are made on, and the responsibilities of Directors.

| | 2017 | 2016 |
|---|---|---|
| **Base fees** | | |
| Chair | $60,000 | $60,000 |
| Other Non-executive Directors | $40,000 | $40,000 |
| **Committee fees** | | |
| Audit and Risk Management Committee Chair | $10,000 | $10,000 |
| Audit and Risk Management Committee Member | $5,000 | $5,000 |
| Remuneration Committee Chair | $10,000 | $10,000 |
| Remuneration Committee Member | $5,000 | $5,000 |
| Nomination Committee Chair/Member | NIL | NIL |

For further information in relation to Directors' remuneration, see below.

*Retirement allowance for Directors*

There are no retirement allowances paid to Non-Executive Directors.

**Remuneration Report – Continued**

### F Details of remuneration of Directors and Key Management Personnel

*Amounts of remuneration*

| Non-executive Directors | | Short-term benefits Salary and fees $ | Short-term benefits Cash bonus $ | Short-term benefits Other $ | Post-employment benefits super $ | Share-based payment Share options $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Brian Mitchell** [1] | **2017** | **60,000** | **-** | **-** | **-** | **386** | **60,386** |
| | 2016 | 60,000 | - | - | - | 2,317 | 62,317 |
| **Steve Baxter** [2] | **2017** | **25,000** | **-** | **-** | **-** | **386** | **25,386** |
| | 2016 | 50,000 | - | - | - | 2,317 | 52,317 |
| **Tanya Cox** | **2017** | **50,228** | **-** | **-** | **4,772** | **18,299** | **73,299** |
| | 2016 | 50,228 | - | - | 4,772 | 7,320 | 62,320 |
| **Ian Lowles** | **2017** | **50,228** | **-** | **-** | **4,772** | **386** | **55,386** |
| | 2016 | 50,228 | - | - | 4,772 | 2,317 | 57,317 |
| **TOTAL** | **2017** | **185,456** | **-** | **-** | **9,544** | **19,457** | **214,457** |
| | 2016 | 210,456 | - | - | 9,544 | 14,272 | 234,272 |

1 Directors' fees for Brian Mitchell includes attendance and participation at Board Committees.
2 Steve Baxter resigned 31 December 2016.

| Other Key Management Personnel | | Short-term benefits Salary and fees $ | Short-term benefits Cash bonus $ | Short-term benefits Other $ | Post-employment benefits super $ | Share-based payment Share options $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Brendan O'Kane** [1] | **2017** | **181,780** | **56,400** | **-** | **16,301** | **9,084** | **263,565** |
| | 2016 | 188,120 | 43,500 | - | 21,452 | 10,300 | 263,372 |
| **Peter Harding-Smith** [4] | **2017** | **66,061** | **-** | **-** | **5,422** | **4,178** | **75,661** |
| | 2016 | 59,712 | - | - | 5,673 | - | 65,385 |
| ***KMP for FY2016 only:*** | | | | | | | |
| **Ramsey Masri** [2] | **2017** | **-** | **-** | **-** | **-** | **-** | **-** |
| | 2016 | 198,820 | 191,541 | - | - | - | 390,361 |
| **Alex Scott** [3] | **2017** | **-** | **-** | **-** | **-** | **-** | **-** |
| | 2016 | 223,278 | 25,833 | - | 21,211 | - | 270,322 |
| **TOTAL** | **2017** | **247,841** | **56,400** | **-** | **21,723** | **13,262** | **339,226** |
| | 2016 | 669,930 | 260,874 | - | 48,336 | 10,300 | 989,440 |

1 Cash bonus for Brendan O'Kane is accrued as at year end.
2 Ramsey Masri resigned on 7 December 2015.
3 Alex Scott was appointed on 26 March 2015, and resigned on 3 May 2016.
4 Peter Harding-Smith was appointed on 3 May 2016, and resigned on 30 September 2016.

**Remuneration Report – Continued**

## G Service agreements

Remuneration and other employment benefits for executive KMP are formalised in service agreements. Except as otherwise stated, all contracts with executive KMP may be terminated by either party with notice. Major provisions of the agreements relating to remuneration are set out below.

| | | |
|---|---|---|
| Brendan O'Kane<br>MD/CEO | Annual base salary | $200,000 inclusive of superannuation |
| | Performance bonus | Maximum STI opportunity for FY17 $120,000, inclusive of superannuation. |
| | Options | 2,409,337 substituted options issued in February 2015, with an effective issue date of 1 September 2012, 100% vested as at 30 June 2017.<br>1,200,000 unlisted options were issued in November 2016, with vesting subject to achievement of specific performance hurdles. |
| | Termination | 6 months' notice by either party |
| Peter Harding-Smith<br>CFO<br>(resigned 30 September 2016) | Annual base salary | $250,000 inclusive of superannuation |
| | Performance bonus | Maximum STI opportunity for FY17 $12,500 (pro-rata), inclusive of superannuation. |
| | Options | 900,000 unlisted options were issued in June 2017. All options issued lapsed upon the resignation of Mr Harding-Smith on 30 September 2016. |
| | Termination | 12 weeks' notice by either party |

* Andrew Ritter was appointed CFO and Company Secretary on 30 September 2016, following the resignation of Peter Harding-Smith. Mr Ritter provides services on a consulting and part-time basis, and accordingly the Board determined Mr Ritter did not meet the definition of KMP.

## H Equity instruments held by key management personnel

*Options*

The number of options over ordinary shares in the Company held during the year by each Director of OtherLevels Holdings Limited and other KMP of the Group are set out below.

| Non-executive Directors | Balance at start of year | Granted as compensation | Exercised | Other changes | Balance at end of year | Vested and exercisable to date | Unvested |
|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | |
| Brian Mitchell | 542,101 | - | - | - | 542,101 | 542,101 | - |
| Steve Baxter [1] | 542,101 | - | - | (542,101) | - | - | - |
| Ian Lowles | 542,101 | - | - | - | 542,101 | 542,101 | - |
| Tanya Cox [2] | 542,101 | - | - | - | 542,101 | 225,875 | 316,226 |
| Malcolm Thompson [3] | 301,167 | - | - | (301,167) | - | - | - |
| **2016** | | | | | | | |
| Brian Mitchell | 542,101 | - | - | - | 542,101 | 519,513 | 22,588 |
| Steve Baxter | 542,101 | - | - | - | 542,101 | 519,513 | 22,588 |
| Ian Lowles | 542,101 | - | - | - | 542,101 | 519,513 | 22,588 |
| Tanya Cox | - | 542,101 | - | - | 542,101 | - | 542,101 |
| Malcolm Thompson | 301,167 | - | - | - | 301,167 | 106,663 | 194,504 |

1 Options issued to Steve Baxter lapsed as they were not exercised within three months of Mr Baxter ceasing to be engaged by the Company.
2 Options issued to Tanya Cox, were approved at the 2015 Annual General Meeting.
3 Options issued to Malcolm Thompson lapsed upon resignation.

**Remuneration Report – Continued**

**H Equity instruments held by key management personnel - continued**

| Other Key Management Personnel | Balance at start of year | Granted as compensation | Exercised | Other changes | Balance at end of Year | Vested and exercisable to date | Unvested |
|---|---|---|---|---|---|---|---|
| **2017** | | | | | | | |
| Brendan O'Kane [1] | 2,409,337 | 1,200,000 | - | - | 3,609,337 | 2,409,337 | 1,200,000 |
| Alex Scott [2] | 1,162,500 | - | - | (1,162,500) | - | - | - |
| Peter Harding-Smith [3] | 900,000 | - | - | (900,000) | - | - | - |
| **2016** | | | | | | | |
| Brendan O'Kane | 2,409,337 | - | - | - | 2,409,337 | 2,308,948 | 100,389 |
| Ramsey Masri [4] | 4,126,652 | - | - | (4,126,652) | - | - | - |
| Alex Scott | - | 1,162,500 | - | | 1,162,500 | - | 1,162,500 |
| Peter Harding-Smith | - | 900,000 | - | - | 900,000 | - | 900,000 |

1 At the 2016 Annual General Meeting, 1,200,000 options were approved for Brendan O'Kane.
2 Alex Scott resigned on 3 May 2016 and the options lapsed on 3 July 2016.
3 Options issued to Peter Harding-Smith lapsed upon resignation.
4 Options that expired after the resignation of Ramsey Masri.

*Shareholdings*

The number of shares in the Company held during the year by each director of OtherLevels Holdings Limited and other KMP of the Group, including their personally related parties, are set out below.

| Non-executive Directors | Balance at start of the year | Received during the year on exercise of options | Other changes during the year (A) | Balance at end of the year |
|---|---|---|---|---|
| **2017** | | | | |
| Brian Mitchell | 17,470,853 | - | 198,000 | 17,668,853 |
| Steve Baxter [1] | 15,395,854 | - | - | 15,395,854 |
| Tanya Cox | 344,578 | - | - | 344,578 |
| Ian Lowles | 12,582,407 | - | - | 12,582,407 |
| **2016** | | | | |
| Brian Mitchell | 13,615,176 | - | 3,855,677 | 17,470,853 |
| Steve Baxter | 11,546,890 | - | 3,848,694 | 15,395,854 |
| Tanya Cox | 99,683 | - | 244,895 | 344,578 |
| Ian Lowles | 9,436,804 | - | 3,145,603 | 12,582,407 |

1 Steve Baxter resigned from the Board, effective 31 December 2016.

| Other Key Management Personnel | Balance at start of the year | Received during the year on exercise of options | Other changes during the year (A) | Balance at end of the year |
|---|---|---|---|---|
| **2017** | | | | |
| Brendan O'Kane | 30,722,160 | - | 334,036 | 31,056,196 |
| **2016** | | | | |
| Brendan O'Kane | 26,812,160 | - | 3,910,000 | 30,722,160 |

(A) In 2017, shares were purchased on-market in accordance with the Company's Securities Trading Policy. In 2016, shares were acquired through capital raising activities.

**Remuneration Report – Continued**

**I Additional information**

*Loans to Directors and Executives*

There were no loans to Directors or other KMP during the year.

*Loans from Directors*

On 3 November 2016, the Company obtained a funding option by way of a loan facility of up to $0.8 million from Mr Brian Mitchell and Mr Brendan O'Kane, Directors of the Company. The loan is on an arms' length basis, and terms include a facility fee of 2% and interest at 12%. As at 30 June 2017, $0.5 million remains outstanding and is accruing interest.

**End of the audited remuneration report**

### Shares under option

Unissued ordinary shares of OtherLevels Holdings Limited under option at the date of this report are as follows.

| Grant date | Expiry date | Fair value | Exercise price | Share options |
|---|---|---|---|---|
| 1-Sep-12 | 1-Sep-22 | $0.02 | $0.05 | 3,493,539 |
| 1-Feb-14 | 1-Feb-24 | $0.03 | $0.11 | 301,167 |
| 1-Jul-15 | 1-Jul-25 | $0.10 | $0.20 | 100,000 |
| 3-Aug-15 | 3-Aug-25 | $0.09 | $0.20 | 400,000 |
| 12-Nov-15 | 12-Nov-25 | $0.08 | $0.20 | 542,101 |
| 1-Mar-16 | 1-Mar-26 | $0.05 | $0.10 | 675,000 |
| 1-Jul-16 | 1-Jul-26 | $0.06 | $0.09 | 100,000 |
| 7-Sep-16 | 7-Sep-26 | $0.04 | $0.07 | 1,725,000 |
| 30-Nov-16 | 30-Nov-26 | $0.04 | $0.07 | 1,200,000 |
| 19-May-17 | 19-May-27 | $0.03 | $0.04 | 2,200,000 |
| **Total** | | | | **10,736,807** |

Please refer to the shareholder information on page 71 for details of all shares issued under option as at the date of this report.

### Insurance of officers

During the year the Group has paid insurance premiums of $35,700 in respect of Directors' and Officers' liability and legal expenses' insurance, for current and former Directors and Officers, including senior executives of the Group and Directors, senior executives and secretaries of its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors or Officers in their capacity as Directors or Officers of entities in the Group, and any other payments arising from liabilities incurred by the Directors or Officers in connection with such proceedings. This does not include liabilities that arise from conduct involving a wilful breach of duty by the Directors or Officers or the improper use by the Directors or Officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.

### Proceedings on behalf of the Group

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

No proceedings have been brought, or intervened in, on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001*.

### Auditors

PKF Hacketts Audit are appointed auditors in accordance with section 327 of the *Corporations Act 2001*.

### Non-audit services

No non-audit services were provided by the auditor or related entities during the 2017 financial year. The Directors, in accordance with advice from the Audit and Risk Management Committee, are satisfied that the previous provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services below did not compromise the external auditor's independence because the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants*.

The following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms.

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| **PKF Hacketts Audit** | **$** | **$** |
| *Other assurance services* | | |
| Capital raising financial services | **-** | **11,000** |
| **Total remuneration for other assurance services** | **-** | **11,000** |

### Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 25.

This report is made in accordance with a resolution of the directors.

**Brian Mitchell**
**Chairman**

**Brendan O'Kane**
**Managing Director**

Brisbane

Dated this 24th day of August 2017

# AUDITOR'S INDEPENDENCE DECLARATION
## UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001*
## TO THE DIRECTORS OF OTHERLEVELS HOLDINGS LIMITED

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2017, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

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

PKF HACKETTS AUDIT

LIAM MURPHY
PARTNER

24 AUGUST 2017
BRISBANE



PKF Hacketts Audit
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## OtherLevels Holdings Limited ACN 603 987 266
## Consolidated Income Statement
## For the Year ended 30 June 2017

| | Notes | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|---|
| Revenue – License | | 2,337,378 | 2,236,818 |
| Revenue – Professional Services | | 804,915 | 1,244,625 |
| Revenue – Managed Services | | 225,000 | - |
| **Total Revenue** | | **3,367,293** | **3,481,443** |
| Payroll expenses | | (4,139,344) | (5,382,682) |
| Development costs | | (1,312,098) | (1,696,561) |
| Occupancy expenses | | (353,738) | (332,633) |
| Business expenses | | (529,956) | (629,426) |
| Marketing expenses | | (176,141) | (376,291) |
| Depreciation and amortisation | 5 | (1,106,668) | (690,583) |
| Other expenses | | (945,121) | (1,727,196) |
| | | **(8,563,066)** | **(10,835,372)** |
| **Loss before interest & tax** | | **(5,195,773)** | **(7,353,929)** |
| Interest income | 5 | 6,317 | 35,902 |
| Interest expense | 5 | (49,589) | (1,827) |
| **Net interest income / (expense)** | | **(43,272)** | **34,075** |
| Income tax benefit | 6 | 706,308 | 960,569 |
| **Loss from continuing operations** | | **(4,532,737)** | **(6,359,285)** |
| **Loss for the year** | | **(4,532,737)** | **(6,359,285)** |
| Loss is attributable to: | | | |
| Equity holders of OtherLevels Holdings Limited | | **(4,532,737)** | **(6,359,285)** |
| | | **Cents** | **Cents** |
| **Earnings/(loss) per share for loss attributable to the ordinary equity holders of the Company:** | | | |
| Basic earnings/(loss) per share | 23(a) | **(2.08)** | **(3.80)** |
| Diluted earnings/(loss) per share | 23(b) | **(2.08)** | **(3.80)** |

*The above consolidated income statement should be read in conjunction with the accompanying notes.*

## OtherLevels Holdings Limited ACN 603 987 266
## Consolidated Statement of comprehensive income
## For the year ended 30 June 2017

| | Notes | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|---|
| **Loss for the year** | | **(4,532,737)** | **(6,359,285)** |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Exchange differences on translation of foreign operations | 18 | 97,778 | 660,711 |
| **Other comprehensive income for the year, net of income tax** | | **97,778** | **660,711** |
| **Total comprehensive income for the year** | | **(4,434,959)** | **(5,698,574)** |
| Total comprehensive income for the year is attributable to: | | | |
| Equity holders of OtherLevels Holdings Limited | | (4,434,959) | (5,698,574) |
| | | **(4,434,959)** | **(5,698,574)** |

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*



OTHERLEVELS

## OtherLevels Holdings Limited ACN 603 987 266
## Consolidated Balance sheet
## As at 30 June 2017

| | Notes | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 385,497 | 2,317,584 |
| Trade and other receivables | 8 | 124,617 | 459,669 |
| R&D tax offset receivable | 9 | 732,970 | 825,932 |
| Other assets | 10 | 77,811 | 202,601 |
| Total current assets | | **1,320,895** | **3,805,786** |
| **Non-current assets** | | | |
| Other assets | 10 | 103,391 | 128,642 |
| Property, plant and equipment | 11 | 33,800 | 39,129 |
| Intangibles | 12 | 2,965,909 | 2,411,593 |
| Total non-current assets | | **3,103,100** | **2,579,364** |
| **Total assets** | | **4,423,995** | **6,385,150** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 13 | 1,056,481 | 1,430,017 |
| Deferred revenue | 15 | 1,742,547 | 1,158,031 |
| Provisions | 14 | 222,786 | 231,465 |
| Loans and borrowings | 16 | 35,047 | - |
| Total current liabilities | | **3,056,861** | **2,819,513** |
| **Non-current liabilities** | | | |
| Provisions | 14 | 7,006 | 4,288 |
| Loans and borrowings | 16 | 1,112,454 | - |
| Total non-current liabilities | | **1,119,460** | **4,288** |
| **Total liabilities** | | **4,176,321** | **2,823,801** |
| **NET ASSETS** | | **247,674** | **3,561,349** |
| **EQUITY** | | | |
| Contributed equity | 17 | 12,293,828 | 11,298,437 |
| Reserves | 18 | 7,984,645 | 7,951,607 |
| Accumulated losses | 18 | (20,030,799) | (15,688,695) |
| **TOTAL EQUITY** | | **247,674** | **3,561,349** |

*The above consolidated balance sheet should be read in conjunction with the accompanying notes.*

## OtherLevels Holdings Limited ACN 603 987 266
## Consolidated Statement of changes in equity
## For the year ended 30 June 2017

| Consolidated | Notes | Contributed equity $ | Reserves $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|---|
| | | Attributable to owners of OtherLevels Holdings Limited | | | |
| **Balance at 1 July 2015** | | 7,603,824 | 7,190,583 | (9,329,410) | 5,464,997 |
| Loss for the period | | - | - | (6,359,285) | (6,359,285) |
| Other comprehensive income | | - | 660,711 | - | 660,711 |
| **Total comprehensive income for the period** | | **-** | **660,711** | **(6,359,285)** | **(5,698,574)** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Contributions of equity net of transaction costs | 17 | 3,692,603 | - | - | 3,692,603 |
| Exercise of options | 17 | 2,010 | - | - | 2,010 |
| Employee share options – value of employee services | 18 | - | 100,313 | - | 100,313 |
| **Balance at 30 June 2016** | | **11,298,437** | **7,951,607** | **(15,688,695)** | **3,561,349** |
| Loss for the year | | - | - | (4,532,737) | (4,532,737) |
| Other comprehensive income | | - | 97,778 | - | 97,778 |
| **Total comprehensive income for the year** | | **-** | **97,778** | **(4,532,737)** | **(4,434,959)** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Contributions of equity net of transaction costs | 17 | 995,391 | - | - | 995,391 |
| Exercise/lapse of options | 17 | - | (190,633) | 190,633 | - |
| Employee share options – value of employee services | 18 | - | 125,893 | - | 125,893 |
| **Balance at 30 June 2017** | | **12,293,828** | **7,984,645** | **(20,030,799)** | **247,674** |

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

## OtherLevels Holdings Limited ACN 603 987 266
## Consolidated Statement of cash flows
## For the year ended 30 June 2017

| | Notes | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of goods and services tax) | | 4,220,100 | 4,102,708 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | (7,442,705) | (9,049,099) |
| | | **(3,222,605)** | **(4,946,391)** |
| Interest received | | 6,317 | 40,121 |
| Interest paid | | (1,728) | - |
| R&D Rebate received | | 799,270 | 83,935 |
| **Net cash inflow/(outflow) from operating activities** | 26 | **(2,418,746)** | **(4,822,335)** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (6,651) | (38,457) |
| Payments for software development costs | | (1,497,285) | (1,575,873) |
| **Net cash (outflow) from investing activities** | | **(1,503,936)** | **(1,614,330)** |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares | | 1,100,000 | 4,002,368 |
| Proceeds from borrowings | | 1,415,000 | - |
| Repayment of borrowings | | (365,000) | - |
| Transaction costs from issue of shares | | (159,621) | (307,755) |
| **Net cash inflows from financing activities** | | **1,990,379** | **3,694,613** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(1,932,303)** | **(2,742,052)** |
| Cash and cash equivalents at the beginning of the year/period | | 2,317,584 | 4,996,938 |
| Effects of exchange rate changes on cash and cash equivalents | | 216 | 62,698 |
| **Cash and cash equivalents at the end of the year/period** | 7 | **385,497** | **2,317,584** |

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

## 1 Summary of significant accounting policies

### (a) Basis of preparation

## 1 Summary of significant accounting policies

OtherLevels Holding Limited (the "Company") is a company incorporated and domiciled in Australia. The address of the Company's registered office is Level 11, Central Plaza II, 66 Eagle Street, Brisbane, QLD 4000. The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

The Company was incorporated on 2 February 2015. These financial statements and notes represent those of OtherLevels Holdings Limited ("OLH") and its subsidiaries (collectively, the "Group"). The separate financial statements of the parent entity, OtherLevels Holdings Limited, have not been presented with this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 24th August 2017 by the directors of the Company.

### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. OtherLevels Holdings Limited is a for-profit entity for the purpose of preparing the financial statements under Australia Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

*(i) Compliance with International Financial Reporting Standard*
The consolidated financial statements of the OtherLevels Holdings Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

*(ii) New and amended standards adopted by the Group*
None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2016 affected any of the amounts recognised in the current year or any prior period and are not likely to affect future years.

*(iii) New standards and interpretations not yet adopted*
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting year and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

**AASB 9** ***Financial Instruments*** and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

## 1 Summary of significant accounting policies (continued)

**AASB 15 *Revenue from Contracts with Customers*** (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

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

As the Group's current practice has similar application to AASB 15, management do not expect a material impact upon revenue on adoption of AASB 15.

***AASB 16 Leases*** (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the Directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

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

## 1 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

*(iv) Historical cost convention*

Except for cash flow information, these financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

*(v) Critical accounting estimates*

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

### (b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of OtherLevels Holdings Limited as at 30 June 2017 and the results of all subsidiaries for the year then ended. OtherLevels Holdings Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities over which the Group has control. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. A list of the subsidiaries is provided in Note 22.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains or losses on transactions between Group companies are fully eliminated on consolidation. Unrealised gains or losses on transactions between Group entities are also fully eliminated on consolidation unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

There are currently no non-controlling interests in the Group.

### (c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors. The Board has determined that the operations of the Company comprise a single operating segment.

## 1 Summary of significant accounting policies (continued)

### (d) Foreign currency translations and Balances

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

*(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

*(iii) Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting year;
- income and expenses are translated at average exchange rates for the year (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- retained earnings are translated at the exchange rates prevailing at the date of the transaction, and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income and included in the foreign currency translation reserve in the balance sheet. The cumulative amount of these differences will be reclassified into profit or loss in the year in which the operation is disposed.

### (e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

*(i) Interest income*

Interest income is recognised using the effective interest method.

## 1 Summary of significant accounting policies (continued)

### (e) Revenue recognition (continued)

*(ii) Licence fees*

Licence fee revenue comprises amounts charged for the use of the Group's software platform for an agreed period of time to send and/or analyse a specified quantity of mobile message transactions.

Licencing Revenue is recognised as it is used by the customer subject to the term of the contract. Revenue will be recognised evenly until the client exhausts their message bundle, or it expires. In the former case unrecognised revenue will be recognised at this time.

*(iii) Services revenue*

Services revenue comprises amounts charged when the Group provides consulting, training or customised platform development to customers.

Services revenue is generally recognised on a straight-line basis over the length of time that the services are to be delivered.

### (f) Income tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## 1 Summary of significant accounting policies (continued)

### (f) Income tax (continued)

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

*(i) Investment allowances and similar tax incentives*

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime in Australia or other investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

### (g) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

### (h) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the event the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### (i) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

### (j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, if any. Trade receivables are due for settlement no more than 30 days from the date of recognition, and are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

## 1 Summary of significant accounting policies (continued)

### (j) Trade Receivables (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent year, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

### (k) Property, plant and equipment

Each class of property, plant and equipment is stated at historical cost less, where applicable, any accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when the asset is replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These gains and losses are included in profit or loss in the period in which they arise. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

The depreciation methods and periods used by the Group are:

| *Class of fixed asset* | *Method* | *Period* |
|---|---|---|
| Computer equipment | Straight line | 3 years |
| Furniture and equipment | Straight line | 3 years |

## 1 Summary of significant accounting policies (continued)

### (l) Intangible assets

*(i) Software*

Costs incurred in developing products and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of materials and services and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over 4 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

### (m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

### (n) Deferred revenue

Deferred revenue comprises mainly unearned revenue from licencing programs being customer billings for multi-year licencing arrangements paid for either at the inception of the agreement or annually at the beginning of each billing period. Deferred revenue also includes payments for services to be performed in the future.

### (o) Employee benefits

*(i) Short-term obligations*

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

*(ii) Other long-term employee benefit obligations*

The liabilities for long service leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

### (o) Employee benefits (continued)

*(iii) Superannuation*

The Company and other controlled entities make statutory contributions to several superannuation funds in accordance with the directions of its employees. Contributions are expensed in the period to which they relate.

*(iv) Share-based payments*

Share-based compensation benefits are provided to employees via the OtherLevels Employee Share Option Plan (ESOP). Information relating to these schemes is set out in Note 24.

The fair value of options granted under the ESOP are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options or shares.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

*(v) Termination benefits*

Termination benefits are payable when employment is terminated, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

### (p) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### (q) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### (r) Earnings per share

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares (Note 23).

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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

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

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

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

### (t) Parent entity information

The financial information for the parent entity, OtherLevels Holdings Limited, disclosed in Note 27 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) *Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost in the financial statements of OtherLevels Holdings Limited. Dividends received from subsidiaries are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

### (u) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

### (u) Fair value of assets and liabilities (continued)

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

### (v) Financial Instruments

*(i) Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

*(ii) Classification and subsequent measurement*

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

**(v) Financial Instruments (continued)**

The Group does not designate any interests in subsidiaries as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(a) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

*(b) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised. This category generally applies to trade and other receivable. For more information on receivables, refer to note i(j).

(c) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(d) *Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(e) *Financial liabilities*

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

### (v) Financial Instruments (continued)

**Impairment of financial assets**

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

**Derecognition**

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

### (w) Going concern

Notwithstanding that the consolidated entity incurred an operating loss after tax of $4,532,737 for the financial year ended 30 June 2017 and at 30 June 2017 had a net current asset deficiency of $1,735,966, the financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Current liabilities as at 30 June 2017 includes $1,742,547 of deferred revenue which is not required to be cash settled in the future, but rather settled through the provision of licences and other services over time.

The ability of the consolidated entity to continue as a going concern is dependent upon one or more of the following:

- Achieve sufficient future cash flows from operations to enable its obligations to be met;
- The success of cost saving initiatives and return to profitability for the consolidated entity, and
- Obtaining additional funding from capital raising activities.

Furthermore, on the 4 July 2017, the Company announced it had secured a $1.35 million loan facility from a syndicate of sophisticated and professional investors, led by the Chairman and the Managing Director (Brian Mitchell and Brendan O'Kane) – please refer to Note 25 for further details.

At the date of this report and having considered the above factors, the directors are confident of achieving the above and that the consolidated entity will be able to continue as going concern.

Notwithstanding this, given the past losses, the difficulty in forecasting cash flows for the consolidated entity and the other matters described above there is material uncertainty whether the consolidated entity will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as going concerns.

### (x) Change in classification

During the 2017 financial year, the Company modified the classification of its expenses to reflect more appropriately the way in which economic benefits are derived, and to provide consistency with its internal management reports and budgeting. Comparative amounts in the Consolidated Income Statement were restated for consistency, however there was no overall change to the total expenses or the profit or loss for the year/period. Refer below for a summary of nature and amounts of comparative items reclassified for 2016:

- Selling expenses of $1,407,690 were reclassified to $953,242 of Development costs, $347,344 of Marketing expenses and $107,104 of Business expenses;
- Employee expenses of $6,495,332 were reclassified to $5,382,682 of Payroll expenses, $743,319 of Development costs, $357,020 of Other expenses, $12,311 of Business expenses;
- Occupancy expenses of $64,650 were reclassified to Business expenses;
- Travel expenses of $404,339 were reclassified to Business expenses;
- Finance costs of $5,252 were reclassified to $1,827 of Interest expense and $3,425 of Other expenses;
- Share listing costs of $29,963 were reclassified to Other expenses;

- Other expenses of $69,969 were reclassified to $41,022 of Business expenses and $28,947 of Marketing expenses.

## 2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### (a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*(i) Useful life of intangibles*

The Group's management determines the estimated useful lives and related amortisation charges for intangible assets at the time of acquisition. As described in note 1(l) useful lives are reviewed regularly throughout the year for appropriateness.

### (b) Critical judgements in applying the entity's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, which may have a significant effect on the amounts recognised in the consolidated financial statements:

*(i) Capitalised development costs*

Distinguishing the research and development phases of a new customised product and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

*(ii) Indicators of impairment of assets*

The Group follows the guidance of AASB 136 *Impairment of Assets* each year to determine whether any indicators of impairment exist (i.e. whether assets are carried at amounts in excess of their recoverable value). Recoverable amount of an asset or cash generating unit (CGU) is defined as the higher of its fair value less costs to sell or its value in use. This determination requires significant judgement.

## 3 Financial risk management

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

## 3 Financial risk management (continued)

The Group holds the following financial instruments:

| | 2017 $ | 2016 $ |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 385,497 | 2,317,584 |
| Trade and other receivables | 124,617 | 459,669 |
| Income tax receivable | 732,970 | 825,932 |
| Other assets | 181,202 | 331,243 |
| | **1,424,286** | **3,934,428** |
| **Financial liabilities** | | |
| Trade and other payables | 1,056,481 | 1,430,017 |
| Deferred income | 1,742,547 | 1,158,031 |
| Loans and borrowings | 1,147,502 | - |
| | **3,946,530** | **2,588,048** |

### (a) Foreign currency risk

The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures, primarily with respect to the US Dollar and British Pound.

Foreign currency risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

***Sensitivity***

At 30 June 2017, had the Australian Dollar weakened/strengthened by 5% against the US Dollar with all other variables held constant, the impact on profit and equity for the year would have been $22,045. At 30 June 2017, had the Australian Dollar weakened/strengthened by 5% against the British Pound with all other variables held constant, the impact on profit and equity for the year would have been $92,030.

### (b) Credit risk

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

Credit risk is managed by assessing the credit quality of counterparties taking into account their financial position, past experience and other factors. Generally the Group only transacts with entities with a high credit quality and income is generally paid in advance of services being provided. The Group’s customers are principally focused on the mobile wagering and membership and loyalty industries. For the financial year ended 30 June 2017, the top five customers (by invoicing) represents 64% of all customers. Refer to Note 8 for more details regarding receivables.

### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when they fall due.

Liquidity risk is managed by rolling cash forecasts.

## 3 Financial risk management (continued)

***Maturities of financial liabilities***

The tables below present the Group's non-derivate financial liabilities in maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

### (c) Liquidity risk (continued)

***Maturities of financial liabilities (continued)***

| Contractual maturities of financial liabilities | Less than 6 months | 6 – 12 months | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash flows | Carrying amount (assets)/ liabilities |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | $ |
| **At 30 June 2017** | | | | | | | |
| Trade payables | 457,098 | - | - | - | - | 457,098 | 457,098 |
| Loans and borrowings | - | 35,047 | 209,188 | 903,266 | - | 1,147,501 | 1,147,501 |
| **At 30 June 2016** | | | | | | | |
| Trade payables | 662,376 | - | - | - | - | 662,376 | 662,376 |

## 4 Segment information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Board considers that the business has one reportable segment, being the provision of digital marketing services.

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 1(c) and AASB 8 *Operating Segments*. The amounts provided to the Board of Directors with respect to revenue from external customers, total assets and total liabilities are measured in a manner consistent with that of the financial statements.

## 5 Expenses

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| **Loss from continuing operations includes the following specific expenses:** | | |
| *Depreciation and amortisation* | | |
| Depreciation - Plant and equipment | 19,628 | 20,643 |
| Amortisation - Software development costs | 1,087,040 | 669,940 |
| | **1,106,668** | **690,583** |
| *Interest income / (expense)* | | |
| Interest income | 6,317 | 35,902 |
| Interest and borrowing costs | (49,589) | (1,827) |
| | **(43,272)** | **34,075** |
| *Foreign currency* | | |
| Foreign currency gains/losses | 279,763 | 650,173 |
| | **279,763** | **650,173** |
| *Rental expenses relating to operating leases* | | |
| Minimum lease payments | 331,462 | 297,524 |
| | **331,462** | **297,524** |

## 6 Income tax expense

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| **(a) Income tax expense** | | |
| Loss from continuing operations before income tax expense | 5,239,045 | 7,319,853 |
| Tax at the Australian tax rate of 27.5% (2016: 30%) | 1,440,737 | 2,195,956 |
| Tax effects of amounts which are not deductible/(taxable) in calculating taxable income: | (87,258) | (4,797) |
| **Income tax benefit** | **1,353,479** | **2,191,159** |
| *Adjusted for:* | | |
| R&D tax concession claim | 732,970 | 960,569 |
| Prior year adjustment – R&D tax concession | (26,661) | - |
| Deferred tax assets not brought to account | (1,365,455) | (1,978,181) |
| Change in tax rate | (48,596) | - |
| Difference in overseas tax rates | 60,571 | (212,976) |
| **Income tax benefit** | **706,308** | **960,569** |

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| **(b) Deferred tax assets not taken to account** | | |
| Tax losses | 6,214,250 | 5,002,636 |
| Timing differences | 719,160 | 325,151 |
| | **6,933,411** | **5,327,787** |

## 7 Cash and cash equivalents

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| Cash at bank | 385,497 | 2,317,584 |
| Balance per consolidated statement of cash flows | **385,497** | **2,317,584** |

### (a) Risk exposure

The Group's exposure to interest rate risk is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

## 8 Trade and other receivables

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| **Net trade receivables** | | |
| Trade receivables | 124,617 | 459,669 |
| Provision for impairment of receivables **(a)** | - | - |
| | **124,617** | **459,669** |

### (a) Impaired trade receivables

As at 30 June 2017, there was no impaired trade receivable (2016 $Nil).

Movements in the provision for impairment of receivables are as follows:

| | | |
|---|---|---|
| Opening Balance | - | 54,687 |
| Provision for impairment recognised during the year | - | (54,687) |
| At 30 June | **-** | **-** |

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

### (b) Past due but not impaired

As at 30 June 2017, trade receivables of the Group of $38,996 (2016: $283,926) were past due but not impaired.

The ageing analysis of these trade receivables is as follows:

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| Up to 3 months | - | 283,926 |
| Past 3 months | 38,996 | **-** |
| | **38,996** | **283,926** |

### (c) Other receivables

These amounts relate to accrued revenue, rental bonds and other assets.

### (d) Fair value

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

## 8 Trade and other receivables (continued)

### (e) Risk exposure

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 3 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables. Information about the Group's exposure to foreign currency risk in relation to trade and other receivables is also provided in Note 3.

## 9 R&D tax offset Receivable

| | | |
|---|---|---|
| R&D tax offset receivable | **732,970** | **825,932** |

OtherLevels Pty Ltd, a wholly owned subsidiary, has lodged an R&D application for the tax year 2016/17, which would result in the above cash refund. Given the nature of the R&D activities and the history of claims, the Group has recognised a receivable at 30 June 2017.

## 10 Other assets

| | | |
|---|---|---|
| **Current** | | |
| GST/VAT recoverable | - | 132,327 |
| Prepaid expenses | 65,104 | 70,274 |
| Other assets | 12,707 | - |
| | **77,811** | **202,601** |
| **Non-current** | | |
| Term deposit cash backing a Bank Guarantee | 74,993 | 74,993 |
| Deposits | 28,398 | 53,649 |
| | **103,391** | **128,642** |

## 11 Property, plant and equipment

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| **Plant and Equipment** | | |
| Computer equipment: | | |
| At cost | 96,072 | 84,589 |
| Accumulated depreciation | (65,718) | (48,350) |
| Foreign currency translation | 1,292 | 415 |
| | **31,646** | **36,654** |
| Furniture and Equipment: | | |
| At cost | 15,804 | 14,930 |
| Accumulated amortisation | (13,650) | (12,455) |
| | **2,154** | **2,475** |
| **Total plant and equipment** | **33,800** | **39,129** |

**Movements in Carrying Amounts**

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| | Computer Equipment $ | Furniture and Equipment $ | Total $ |
|---|---|---|---|
| **Consolidated Group:** | | | |
| **Balance at 1 July 2015** | **20,908** | **-** | **20,908** |
| Net Additions / (Disposals) | 33,259 | 5,189 | 38,448 |
| Depreciation expense | (17,929) | (2,714) | (20,643) |
| Foreign currency translation | 416 | - | 416 |
| **Balance at 30 June 2016** | **36,654** | **2,475** | **39,129** |
| Net Additions / (Disposals) | 11,483 | 1,524 | 13,007 |
| Depreciation expense | (17,783) | (1,845) | (19,628) |
| Foreign currency translation | 1,292 | - | 1,292 |
| **Balance at 30 June 2017** | **31,646** | **2,154** | **33,800** |

## 12 Intangible assets

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| Software Development Costs: | | |
| At Cost | 5,148,088 | 3,506,731 |
| Accumulated amortisation | (2,182,179) | (1,095,138) |
| **Net carrying amount** | **2,965,909** | **2,411,593** |

**Movements in Carrying Amounts**

Movements in the carrying amounts for each class of intangible assets between the beginning and the end of the current financial year:

| | Software Development Costs $ |
|---|---|
| **Consolidated Group:** | |
| Balance at 1 July 2015 | 1,505,660 |
| Additions | 1,575,873 |
| Amortisation charge | (669,940) |
| **Balance at 30 June 2016** | **2,411,593** |
| Additions | 1,641,356 |
| Amortisation charge | (1,087,040) |
| **Closing value at 30 June 2017** | **2,965,909** |

## 13 Trade and other payables

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| Trade payables | 457,098 | 662,376 |
| BAS/VAT payable | 232,673 | - |
| Accrued expenses | 366,710 | 767,641 |
| | **1,056,481** | **1,430,017** |

Trade payables are unsecured and are usually paid within 30 days of recognition.

## 13 Trade and other payables (continued)

### (a) Fair value

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

### (b) Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 3.

## 14 Provisions

| | Consolidated | |
|---|---|---|
| | 2017 | 2016 |
| | $ | $ |
| **Current** | | |
| Employee benefits – Annual Leave | **222,786** | **231,465** |
| **Non-current** | | |
| Employee benefits - Long Service Leave | **7,006** | **4,288** |

The entire amount of the annual leave provision of $222,786 (2016: $231,465) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The value of leave that is not expected to be taken or paid within the next 12 months is $55,696 (2016: $59,650).

**Superannuation plans**

All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plans provide accumulated benefits. Employees contribute to the plans at various percentages of their wages and salaries. Where there is a legal requirement the Company contributes the appropriate statutory percentage of employees' salaries and wages.

## 15 Deferred revenue

Current liabilities as at 30 June 2017 include $1,742,547 (2016: $1,158,031) of deferred revenue which is not required to be cash settled in the future, but rather settled through the provision of licences and other services over time.

## 16 Loans and borrowings

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| **Current** | | |
| Loans - Other | 35,047 | - |
| | **35,047** | **-** |
| **Non-current** | | |
| Loans – Directors [1] | 553,266 | - |
| Loans - Shareholder | 209,188 | - |
| Loan facility advance [2] | 350,000 | - |
| | **1,112,454** | **-** |

[1] Refer to Note 21(c) for further details.
[2] Monies advanced under the $1.35 million loan facility dated 4 July 2017 (refer to Note 25 for further details).

## 17 Contributed equity

### (a) Share capital

| | Company 2017 Shares | Company 2017 $ | Company 2016 Shares | Company 2016 $ |
|---|---|---|---|---|
| Ordinary shares Fully paid | 224,661,600 | 12,293,828 | 210,911,600 | 11,298,437 |
| **Total contributed equity** | | **12,293,828** | | **11,298,437** |

### (b) Movements in ordinary share capital

Issues of ordinary shares during the year/period:

| Date | Details | Number of shares | $ |
|---|---|---|---|
| **1 July 2016** | **Opening balance** | **210,911,600** | **11,298,437** |
| 21 December 2016 | Shares issued | 13,750,000 | 1,100,000 |
| 21 December 2016 | Transaction costs arising on share issue | - | (78,142) |
| 6 April 2017 | Costs relating to release of escrow shares | - | (26,467) |
| **30 June 2017** | **Closing balance** | **224,661,600** | **12,293,828** |

### (c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

## 17 Contributed equity (continued)

### (d) Options

Information relating to options provided under the OtherLevels Employee Share Option Plan, including details of options issued, exercised and lapsed during the year and options outstanding at the end of the year, is set out in note 24.

### (e) Capital risk management

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

## 18 Reserves and retained earnings

### (a) Reserves

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| Common control reserve | 6,752,704 | 6,752,704 |
| Foreign currency translation reserve | 1,085,623 | 987,845 |
| Share-based payments reserve | 146,318 | 211,058 |
| | **7,984,645** | **7,951,607** |
| ***Movements*** | | |
| *Common control reserve* | | |
| Opening Balance | 6,752,704 | 6,752,704 |
| Capital reorganisation of Group | - | - |
| **Balance at 30 June** | **6,752,704** | **6,752,704** |
| *Foreign currency translation reserve* | | |
| Opening Balance | 987,845 | 327,134 |
| Currency translation differences arising during the year/period | 97,778 | 660,711 |
| **Balance at 30 June** | **1,085,623** | **987,845** |
| *Share-based payments reserve* | | |
| Opening Balance | 211,058 | 110,745 |
| Share-based payment expenses | 125,893 | 100,313 |
| Transfer to retained earnings on lapse of options | (190,633) | - |
| **Balance at 30 June** | **146,318** | **211,058** |

## 18 Reserves and retained earnings (continued)

### (b) Accumulated losses

Movements in accumulated losses were as follows:

| | | |
|---|---|---|
| Opening Balance | (15,688,695) | (9,329,410) |
| Net loss for the year/period | (4,532,737) | (6,359,285) |
| Exercise/lapse of options | 190,633 | - |
| **Balance at 30 June** | **(20,030,799)** | **(15,688,695)** |

### (c) Nature and purpose of reserves

*(i) Common control reserve*

This reserve is used to record the difference between the recognised equity of the parent entity and the net assets of the acquired controlled entities.

*(ii) Foreign currency translation reserve*

Exchange differences arising on translation of foreign operations are recognised in other comprehensive income as described in note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

*(iii) Share-based payments reserve*

The share based payments reserve is used to recognise the fair value of options issued to employees but not exercised.

## 19 Remuneration of auditors

During the year/period the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| **PKF Hacketts Audit** | **$** | **$** |
| *Audit and other assurance services* | | |
| Audit and review of financial statements | 57,500 | 56,500 |
| Other assurance services | | |
| Capital raising financial services | - | 11,000 |
| **Total auditors' remuneration** | **57,500** | **67,500** |

## 20 Commitments

### (a) Non-cancellable operating leases

The Group leases its offices under non-cancellable operating leases expiring at various times during the next year. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows: | | |
| Within one year | 177,652 | 175,276 |
| Later than one year but not later than five years | 146,062 | 287,184 |
| Later than five years | - | - |
| | **323,714** | **462,460** |

## 21 Related party transactions

### (a) Group companies

Details of the parent company, the ultimate parent company and interests in subsidiaries are set out in Note 22.

### (b) Key management personnel compensation

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| Short-term employment benefits | 489,697 | 1,141,260 |
| Post-employment benefits | 31,267 | 57,879 |
| | **520,964** | **1,199,139** |

Detailed remuneration disclosures are provided in sections A-I of the remuneration report on pages 15 to 22.

### (c) Other transactions with key management personnel or entities related to them

During the financial year ended 30 June 2017, Mr Brian Mitchell and Mr Brendan O'Kane, directors of the Company, advanced monies by way of a loan to the Group. These loans were on an arms' length basis, and terms include a facility fee of 2% and interest of 12%. The principal outstanding as at 30 June 2017 was $500,000 and accrued interest and charges amount to $53,266.

## 21 Related party transactions (continued)

### (d) Transactions with other related parties

During the year, Tara O'Kane, daughter of Brendan O'Kane, provided marketing technology assistance to the Company and received $4,204 (2016: $4,164).

## 22 Subsidiaries

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

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| | **%** | **%** |
| **Parent company:** | | |
| OtherLevels Holdings Limited | | |
| **Controlled entities – incorporated in Australia** | | |
| OtherLevels Pty Limited | 100 | 100 |
| **Controlled entities – incorporated in the United States of America** | | |
| OtherLevels Inc. | 100 | 100 |
| **Controlled entities – incorporated in the United Kingdom** | | |
| OtherLevels Limited | 100 | 100 |

## 23 Earnings/(loss) per share

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| | **Cents** | **Cents** |
| **(a) Basic earnings/(loss) per share** | | |
| Total basic earnings/(loss) per share attributable to the ordinary equity holders of the Company | **(2.08)** | **(3.80)** |
| **(b) Diluted earnings/(loss) per share** | | |
| Total diluted earnings/(loss) per share attributable to the ordinary equity holders of the Company | **(2.08)** | **(3.80)** |

## 23 Earnings/(loss) per share (continued)

### (c) Reconciliations of earnings/(loss) used in calculating earnings per share

| | Consolidated | |
|---|---|---|
| | 2017 | 2016 |
| | $ | $ |
| *Basic earnings/(loss) per share* | | |
| Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings/(loss) per share | (4,532,737) | (6,359,285) |
| *Diluted earnings/(loss) per share* | | |
| Loss attributable to the ordinary equity holders of the Company used in calculating diluted earnings/(loss) per share | (4,532,737) | (6,395,285) |

### (d) Weighted average number of shares used as the denominator

| | Consolidated | |
|---|---|---|
| | 2017 | 2016 |
| | Number | Number |
| *Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share and diluted earnings/(loss) per share* | 218,109,923 | 167,159,615 |

### (e) Information concerning the classification of securities

*(i) Options*

Options granted to employees under the Company's Employee Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 24.

## 24 Share-based payments

### (a) Employee Share Option Plan

The OtherLevels Employee Share Option Plan (ESOP) was initially established in 2012 and subsequently adopted on 19 February 2015 as part of the IPO. Under the plan, participants are granted options which vest as follows:

- 25% of the options issued to a holder will vest 1 year from the vesting start date; and
- after 1 year, options will vest on a proportionate monthly basis for the remaining 3 years.

Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Options are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share. The shares will rank for dividends declared on or after the date of issue but will carry no right to receive any dividend before the date of issue.

## 24 Share-based payments (continued)

Set out below are summaries of options granted under the plan:

| | Average exercise price per share option | Number of options |
|---|---|---|
| **2016** | | |
| As at 1 July 2015 | $0.09 | 11,880,197 |
| Granted during the period | $0.16 | 4,604,601 |
| Exercised during the period | $0.05 | (37,929) |
| Lapsed during the period | $0.08 | (6,752,543) |
| As at 30 June 2016 | **$0.10** | **9,694,326** |
| Vested and exercisable at 30 June 2016 | **$0.06** | **4,671,636** |
| **2017** | | |
| As at 1 July 2016 | $0.10 | 9,694,326 |
| Granted during the year | $0.06 | 6,175,000 |
| Lapsed during the year | $0.13 | (5,132,519) |
| As at 30 June 2017 | **$0.07** | **10,736,807** |
| **Vested and exercisable at 30 June 2017** | **$0.09** | **5,511,807** |

### (a) Employee Share Option Plan (continued)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

| Grant date | Expiry date | Fair value | Exercise price | Share options |
|---|---|---|---|---|
| 1-Sep-12 | 1-Sep-22 | $0.02 | $0.05 | 3,493,539 |
| 1-Feb-14 | 1-Feb-24 | $0.03 | $0.11 | 301,167 |
| 1-Jul-15 | 1-Jul-25 | $0.10 | $0.20 | 100,000 |
| 3-Aug-15 | 3-Aug-25 | $0.09 | $0.20 | 400,000 |
| 12-Nov-15 | 12-Nov-25 | $0.08 | $0.20 | 542,101 |
| 1-Mar-16 | 1-Mar-26 | $0.05 | $0.10 | 675,000 |
| 1-Jul-16 | 1-Jul-26 | $0.06 | $0.09 | 100,000 |
| 7-Sep-16 | 7-Sep-26 | $0.04 | $0.07 | 1,725,000 |
| 30-Nov-16 | 30-Nov-26 | $0.04 | $0.07 | 1,200,000 |
| 19-May-17 | 19-May-27 | $0.03 | $0.04 | 2,200,000 |
| **Total** | | | | **10,736,807** |

| | |
|---|---|
| Weighted average remaining contractual life of options outstanding at end of year | **7.86 years** |

## 24 Share-based payments (continued)

**Fair value of options granted**

The assessed fair value at grant date of all options granted is set out above. The fair value at grant date was independently determined using a Black-Scholes pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the respective options.

**(b) Performance Rights Plan**

At reporting date, no performance rights have been issued by the Company.

**(c) Expenses arising from share-based payment transactions**

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

| | Consolidated | |
|---|---|---|
| | **2017** | **2016** |
| | **$** | **$** |
| Employee share options | 125,893 | 100,313 |
| Total expenses arising from share-based payment transactions | **125,893** | **100,313** |

## 25 Events occurring after the reporting period

On 4 July 2017, the Company announced that it had secured a $1.35 million loan facility from a syndicate of sophisticated and professional investors, led by the Chairman and the Managing Director (Brian Mitchell and Brendan O'Kane).

The key details are as follows:

- A total loan facility of $1.35 million, of which an aggregate amount of $0.5 million has been provided by Brian Mitchell and Brendan O'Kane.
- The loan from the Directors is in addition to their existing unsecured facility (and will be on the same terms as the existing facility, pending shareholder approval), which has an outstanding balance of $0.5 million. The existing facility will remain in place with any interest capitalised and will not be repaid until the new facility and associated interest is repaid;
- Interest rate of 16% per annum, paid monthly in advance;
- An establishment fee of 1% for all lenders except for the Directors, who have waived this fee;
- Loan facility term of two years ending 30 June 2019;
- Each lender is entitled to receive 750,000 options for each $50,000 committed (with any issue to Directors subject to shareholder approval). The options have a strike price of $0.04, which may be exercised on a 1:1 basis, and expiring on the date that is 12 months after repayment of the loan in full.

On 4 September 2017, the Company will hold an Extraordinary General Meeting to seek shareholder approval for the two Directors to participate on the same terms as the other lenders for their new loan and for the issue of options.

There were no other significant transactions or events that occurred after the end of the reporting period.

## 26 Reconciliation of loss after income tax to net cash outflow from operating activities

| | Consolidated 2017 $ | Consolidated 2016 $ |
|---|---|---|
| Loss for the year/period | (4,532,737) | (6,359,285) |
| Depreciation and amortisation | 1,106,668 | 690,583 |
| Net exchange differences | 98,356 | 597,506 |
| Non-cash employee benefits expense – share-based payments | 125,893 | 100,313 |
| *Change in operating assets and liabilities* | | |
| (Increase)/decrease in trade receivables | 335,052 | 33,634 |
| (Increase)/decrease in other assets | 243,003 | (1,014,647) |
| Increase/(decrease) in trade payables & accrued expenses | (373,536) | 457,375 |
| Increase/(decrease) in deferred revenue | 584,516 | 587,248 |
| Increase/(decrease) in provisions | (5,961) | 84,838 |
| **Net cash inflow (outflow) from operating activities** | **(2,418,746)** | **(4,822,335)** |

## 27 Parent entity financial information

### (a) Summary financial information

| | Company 2017 $ | Company 2016 $ |
|---|---|---|
| **Balance sheet** | | |
| Current assets | 327,324 | 2,187,652 |
| Non-current assets | 10,675,808 | 7,820,889 |
| Total assets | **11,003,132** | **10,008,541** |
| | | |
| Current liabilities | 763,270 | 472,884 |
| Non-current liabilities | 904,052 | 231 |
| Total liabilities | **1,667,322** | **473,115** |
| | | |
| *Shareholders' equity* | | |
| Contributed equity | 12,293,828 | 11,298,437 |
| Reserves | 146,318 | 211,058 |
| Accumulated losses | (3,104,337) | (1,974,069) |
| | **9,335,809** | **9,535,426** |
| | | |
| Loss for the year/period | (1,320,900) | (1,102,703) |
| Total comprehensive income | **(1,320,900)** | **(1,102,703)** |

### (b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2017.

In the directors' opinion:

(a) the financial statements and notes set out on pages 26 to 63 are in accordance with the *Corporations Act 2001,* including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date,

(b) with regards to note 1(w) to the financial statements there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

BA Mitchell | B. O'K

**Brian Mitchell**
**Chairman**

**Brendan O'Kane**
**Managing Director**

Brisbane
Dated this 24th day of August 2017

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF OTHERLEVELS HOLDINGS LIMITED

## Report on the Financial Report

### Opinion

We have audited the accompanying financial report of OtherLevels Holdings Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion, the financial report of OtherLevels Holdings Limited is in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's Responsibility section of our report.

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

### Emphasis of Matter – Going Concern

Without modifying our opinion expressed above, we draw attention to Note 1(w) of the financial statements which indicates that the consolidated entity incurred a net loss after tax of $4,532,737 for the financial year ended 30 June 2017 and at 30 June 2017 had a net current asset deficiency of $1,735,966. These conditions, along with other matters as set forth in Note 1(w), indicate the existence of a material uncertainty that may cast significant doubt as to whether the consolidated entity will be able to continue normal business operations and therefore whether the consolidated entity will realise its assets and extinguish its liabilities in the normal course of business and at the amounts recorded in the financial report.

### Independence

We are independent of the consolidated entity in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

### 1. REVENUE RECOGNITION

| Why significant | How our audit addressed the key audit matter |
|---|---|
| The Group's revenue of $3,367,293 and its deferred revenue of $1,742,547 are based on contracts with customers which include a variety of arrangements, all of which potentially have different revenue recognition triggers.<br><br>There is often a mismatch between cash flows from customer contracts and when revenues can be recognised which is based on performance obligations.<br><br>Given the specific nature of individual customer contracts which may bundle together inter-related or separate services and performance obligations, there is some complexity and elements of judgment required in recognition of revenue.<br><br>Disclosures regarding these items are included in Note 1(e), Note 1(n), and Note 15 to the financial statements. | Our audit procedures over revenue recognition included a combination of testing a sample of revenue transactions to ensure:<br>- Revenue has been recorded in the correct period;<br>- The amount of revenue recognised is appropriate; and<br>- The impact of any ongoing performance obligations have been included, and review of contracts with key customers, data analytical procedures focusing on integrity of revenue data and identification of unusual transactions and review of key judgments adopted by the Group in recognising revenue for individual revenue streams.<br><br>For a sample of transactions and contractual arrangements we evaluated whether the revenue recognition criteria as required by *AASB 118 Revenue* had been met.<br><br>We assessed the adequacy of the Group's disclosure in Note 1(e), Note 1(n), and Note 15 to the financial statements. |

## 2. INTANGIBLE ASSETS - CAPITALISATION OF SOFTWARE DEVELOPMENT COSTS

| Why significant | How our audit addressed the key audit matter |
|---|---|
| Capitalised software development costs of $2,965,909 are significant to the audit, due to the amount of expenditures being capitalised, the rapid technological change in the Group's industry, and the specific criteria that have to be met for capitalisation.<br><br>During the year ended 30 June 2017 the Group capitalised $1,641,356 of expenditures relating to development of software.<br><br>Judgment is required in determining development expenditures that should be capitalised. Such judgments include consideration of matters such as generation of future economic benefits and distinction between development of new software and maintenance or upgrade of existing software. These costs are then amortised over the estimated useful life of the software.<br><br>Disclosures regarding this item are included in Note 1(l) and Note 12 to the financial statements. | We performed audit procedures over the accuracy and valuation of amounts capitalised in the current year and the amount expensed relating to software development. Our procedures included assessing the capitalised costs against the recognition criteria in AASB 138: *Intangible Assets*, assessing the key assumptions used and estimates made in capitalising development costs and testing on a sample basis the accuracy of costs included.<br><br>We examined the Group's development process and specifically considered both internal and external costs incurred in the period to assess both the accuracy and completeness of amounts capitalised.<br><br>We also assessed the adequacy of the Group's disclosure in Note 1(l) and Note 12 to the financial statements. |

## 3. IMPAIRMENT ASSESSMENT OF INTANGIBLE ASSETS

| Why significant | How our audit addressed the key audit matter |
|---|---|
| The Group has recorded intangible assets of $2,965,909 as at 30 June 2017. This represents 67% of total assets. Intangibles are comprised of software development costs.<br><br>*AASB 138 Intangible Assets* requires that finite life intangible assets be impairment tested whenever there is an indication that the intangible assets may be impaired. This assessment requires judgment as it involves consideration of both internal and external sources of information. This includes assessing the useful life of the assets. | Our procedures included assessing the assumptions and methodologies used by the Group in their assets' value-in-use impairment model. We compared the Group's assumptions to our own assessments of key inputs such as revenue growth, cost inflation and discount rates and assessed sensitivities, as well as performed a break-even analysis on key assumptions.<br><br>We tested the Group's procedures related to the preparation of the budget approved by the Board upon which the value-in-use model is based, as well as compared the sum of projected discounted cash flows to the market capitalisation of the |

Relatively small changes in assumptions may significantly affect the outcome of impairment assessments. In addition, recoverability of the Group's assets depend on the Group's ability to make profits and generate sufficient cash flows from those assets. The Group suffered losses of $4,532,737 and generated negative cash flow from operating activities of $2,418,746 for the year ended 30 June 2017 which are indicators of impairment and therefore an impairment test is required.

Disclosures relating to Intangible Assets are included in Note 1(l), Note 2, and Note 12 to the financial statements.

Group to assess whether the projected cash flows appeared consistent with the market assessment of the Group's value.

We assessed the useful lives of finite life assets to determine if they remained appropriate in the context of the expected future period of economic consumption.

We assessed the adequacy of the Group's disclosure in Note 1(l), Note 2, and Note 12 to the financial statements.

## Other Information

Other information is financial and non-financial information in the annual report of the consolidated entity which is provided in addition to the Financial Report and the Auditor's Report. The directors are responsible for Other Information in the annual report.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report. The remaining Other Information is expected to be made available to us after the date of the Auditor's Report. Our opinion on the Financial Report does not cover the Other Information and, accordingly, the auditor does not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information in the Financial Report and based on the work we have performed on the Other Information that we obtained prior the date of this Auditor's Report we have nothing to report.

## Directors' Responsibilities for the Financial Report

The Directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using a going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity or to cease operations, or have no realistic alternative but to do so.

## Auditor’s Responsibilities for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individual or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor’s judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

## Opinion

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2017. In our opinion, the Remuneration Report of OtherLevels Holdings Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

## Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PKF HACKETTS

PKF HACKETTS AUDIT

LIAM MURPHY
PARTNER

24 AUGUST 2017
BRISBANE

## OtherLevels Holdings Limited ACN 603 987 266
## Shareholders information

The shareholders information set out below was applicable as at 18th August 2017.

**Distribution of equity securities**

Analysis of numbers of equity security holders by size of holding:

| | Class of equity security Ordinary shares | |
|---|---|---|
| | **Holders** | **Shares** |
| 1 - 1,000 | 4 | 1,247 |
| 1,001 – 5,000 | 13 | 44,939 |
| 5,001 – 10,000 | 83 | 794,410 |
| 10,001 – 100,000 | 258 | 9,496,906 |
| 100,001 and over | 132 | 214,324,098 |
| **Total** | **490** | **224,661,600** |

There were 110 holders of less than a marketable parcel of ordinary shares, totalling 954,470 shares.

**A Quoted equity security holders**

*Twenty largest quoted equity security holders.*

The names of the twenty largest holders of quoted equity securities are listed below:

| | Name | Ordinary shares | |
|---|---|---|---|
| | | Number held | Percentage of issued shares |
| 1 | Tara Investment Services Pty Ltd | 30,278,224 | 13.48% |
| 2 | Halfbrick International Holdings | 28,635,068 | 12.75% |
| 3 | Birkdale Holdings (Qld) Pty Ltd * | 15,395,854 | 6.85% |
| 4 | Silica Investments Pty Ltd | 14,591,133 | 6.49% |
| 5 | Dolny Kubin Pty Ltd | 12,278,959 | 5.47% |
| 6 | MT Partners Pty Ltd | 10,194,815 | 4.54% |
| 7 | Catch 88 Pty Ltd | 7,474,038 | 3.33% |
| 8 | HSBC Custody Nominees (Australia) Limited – A/C 2 | 7,312,857 | 3.26% |
| 9 | IPR Nominees Pty Ltd | 6,303,488 | 2.81% |
| 10 | Hollywood Road Investments Pty Ltd | 5,224,971 | 2.33% |
| 11 | HSBC Custody Nominees (Australia) Limited | 3,722,684 | 1.66% |
| 12 | Yongala Investments Pty Ltd * | 3,571,428 | 1.59% |
| 13 | Maselco Pty Ltd | 3,325,979 | 1.48% |
| 14 | Hartmore Pty Ltd * | 3,300,195 | 1.47% |
| 15 | JP Morgan Nominees Australia Limited | 2,790,751 | 1.24% |
| 16 | Emuse Investments Pty Ltd | 2,633,285 | 1.17% |
| 17 | Golden Words Pty Ltd | 2,062,000 | 0.92% |
| 18 | Cormac Kilty | 2,007,761 | 0.89% |
| 19 | Mr Trent Antony Goodrick | 2,000,000 | 0.89% |
| 20 | Invia Custodian Pty Limited | 1,933,816 | 0.86% |
| **Total** | | **165,037,306** | **73.5%** |

* Consolidated trustee/custodian holding

*Unquoted equity securities*

| | Number on issue | Number of holders |
|---|---|---|
| Options issued on 19 December 2016 (exercise price of $0.06) | 5,000,000 | 2 |
| Options issued on 14 July 2017 (exercise price of $0.04) | 12,750,000 | 4 |
| Options issued under the OtherLevels Holdings Limited ESOP | 10,736,807 | 21 |

## B Substantial holders

Substantial shareholders of ordinary shares in the Company are set out below.

| Holder | Number held | Percentage of issued shares |
|---|---|---|
| Brendan O'Kane | 31,056,196 | 13.82% |
| Halfbrick International Holdings | 28,635,068 | 12.75% |
| Brian Mitchell | 17,668,853 | 7.86% |
| Richard Hannebery (incl Silica Investments Pty Ltd) | 15,522,631 | 6.91% |
| Birkdale Holdings (Qld) Pty Ltd | 15,395,854 | 6.85% |
| Ian Lowles | 12,582,407 | 5.60% |

## C Voting rights

The voting rights attaching to each class of equity securities are set out below:

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

*Options*
No voting rights.

## D Other information

*On-market buy-back*
Currently there is no on-market buy-back of the Company's securities.

*Consistency with business objectives*
The company has used its cash and assets in a form readily convertible to cash that it had at the time of listing (and subsequent capital raisings) in a way consistent with its stated business objectives

# OtherLevels Holdings Limited ACN 603 987 266
## Corporate directory

| | |
|---|---|
| **Directors** | Brian Mitchell<br>Brendan O'Kane<br>Tanya Cox<br>Ian Lowles |
| **Company Secretary** | Andrew Ritter |
| **Principal place of business** | Level 1, 235 Edward Street<br>Brisbane QLD 4000<br>T: +61 7 3053 8775<br>W: www.otherlevels.com |
| **Registered office in Australia** | Level 11, Central Plaza Two<br>66 Eagle Street<br>Brisbane QLD 4000<br>T: +61 7 3233 8888<br>F: +61 7 3229 9949 |
| **Share register** | Link Market Services Limited<br>Level 15, 324 Queen Street<br>Brisbane QLD 4000<br>T: 1300 554 474<br>W: www.linkmarketservices.com.au |
| **Auditor** | PKF Hacketts Audit<br>Level 6, 10 Eagle Street<br>Brisbane QLD 4000 |
| **Investor and Client Presentation available at:** | www.otherlevels.com |
| **Stock exchange listing** | OtherLevels Holdings Limited shares are listed on the Australian Securities Exchange (ASX).<br><br>ASX code: OLV |