

1. Company details

Name of entity:	Pureprofile Ltd
ABN:	37 167 522 901
Reporting period:	For the half-year ended 31 December 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	16.1% to	23,764,727
Earnings Before Interest, Tax, Depreciation, and Amortisation ('EBITDA')	up	583.3% to	271,367
Loss from ordinary activities after tax attributable to the owners of Pureprofile Ltd	down	28.6% to	(6,283,426)
Loss for the half-year attributable to the owners of Pureprofile Ltd	down	28.6% to	(6,283,426)

Revenue from ordinary activities (including continuing and discontinued operations) was down on prior comparable period and primarily attributable to the decline in the Performance business unit (\$5,943,373 for the half-year ended 31 December 2018 vs \$11,085,853 for the half-year ended 31 December 2017), which continued to face external challenges. In particular, the UK experienced a temporary suspension of projects with clients assessing the full impact of GDPR, while in Australia the group's insurance clients ceased all campaigns in the wake of the Royal Commission into the Financial Services industry. The impairment of customer contracts and partner network relationships for the Performance business unit and the disposal of assets related to the Media Trading business unit resulted in a non-cash cost of approximately of \$2,737,678.

Dividends

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

Comments

The loss for the group after providing for income tax amounted to \$6,283,426 (31 December 2017: \$8,805,641).

EBITDA for the financial half-year amounted to a profit of \$271,367 (31 December 2017: profit of \$39,712).

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents earnings before interest, tax, depreciation and amortisation adjusted for non-specific non-cash and significant items.

The following table summarises key reconciling items between statutory loss after income tax and EBITDA from continuing and discontinued operations:

	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
Loss after income tax	(6,283,426)	(8,805,641)
Add: Depreciation and amortisation	2,023,546	2,521,729
Add: Impairment of assets	2,453,010	5,989,381
Less/add: (gain)/loss on disposal of intangible assets	284,668	1,058,000
Less: Interest income	(2,369)	(2,807)
Add: Finance costs	1,302,394	766,506
Add/less: Income tax expenses/(benefit)	493,544	(1,487,456)
EBITDA	<u>271,367</u>	<u>39,712</u>

Refer to the Directors' report for further commentary on the group's results for the reporting period.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(14.04)</u>	<u>(11.00)</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

9. Audit qualification or review

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

The interim financial statements were subject to a review by the auditors and the review report, which contains an Emphasis of Matter section relating to going concern, is attached thereto.

10. Attachments

Details of attachments (if any):

The Interim Report of Pureprofile Ltd for the half-year ended 31 December 2018 is attached.

11. Signed

Signed 

Date: 28 February 2019

Andrew Edwards
Non-Executive Chairman
Sydney

Pureprofile Ltd

ABN 37 167 522 901

Interim Report - 31 December 2018

Pureprofile Ltd
Contents
31 December 2018

Directors' report	2
Auditor's independence declaration	4
Statement of profit or loss and other comprehensive income	5
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	22
Independent auditor's review report to the members of Pureprofile Ltd	23

General information

The financial statements cover Pureprofile Ltd as a group consisting of Pureprofile Ltd and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Pureprofile Ltd's functional and presentation currency.

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

Level 20, 233 Castlereagh Street
Sydney
NSW 2000
Australia

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2019.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'group') consisting of Pureprofile Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

Directors

The following persons were directors of Pureprofile Ltd during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Andrew Edwards - Non-Executive Chairman
Nic Jones - Managing Director & Chief Executive Officer
Clifford Rosenberg - Non-Executive Director
Sue Klose - Non-Executive Director (appointed 1 September 2018)
Marcelo Ulvert - Non-Executive Director (appointed 1 September 2018 and resigned on 12 February 2019)

Principal activities

During the financial period the principal continuing activities of the group consisted of the provision of profile marketing and insights technology services.

Dividends

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

Review of operations

The loss for the group after providing for income tax amounted to \$6,283,426 (31 December 2017: \$8,805,641).

EBITDA for the financial half-year amounted to a profit of \$271,367 (31 December 2017: profit of \$39,712).

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents earnings before interest, tax, depreciation and amortisation adjusted for non-specific non-cash and significant items.

The following table summarises key reconciling items between statutory loss after income tax and EBITDA from continuing and discontinued operations:

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Add: Finance costs	1,302,394	766,506
Add/less: Income tax expenses/(benefit)	493,544	(1,487,456)
EBITDA	<u>271,367</u>	<u>39,712</u>

The group generated revenues of \$23,764,727 for the half-year ended 31 December 2018, a 16% decrease on prior comparable period (pcp) (\$28,332,823 for the half-year ended 31 December 2017). The decrease was primarily attributable to the decline in the Performance business unit, which continued to face external challenges (\$5,943,373 for the half-year ended 31 December 2018 vs \$11,085,853 for the half-year ended 31 December 2017). In particular, the UK experienced a temporary suspension of certain projects with clients assessing the full impact of GDPR, while in Australia the group's insurance clients ceased all campaigns in the wake of the Royal Commission into Banking.

Pleasingly, the group's core Data & Insights business unit grew 16% on pcp (\$9,468,467 for the half-year ended 31 December 2018 vs \$8,156,563 for the half-year ended 31 December 2017) and the growth of this business unit continues to be a key focus of the group. The Media business unit (including the discontinued Media Trading unit) saw a slight decline on pcp (\$8,350,518 for the half-year ended 31 December 2018 vs \$9,087,600 for the half-year ended 31 December 2017). Further declines in the Media Trading business was anticipated and accordingly the business was sold in November 2018 by way of cash and share buy-back.

Gross margin was up on pcg from 44% to 46%. The increase is due to the greater mix of revenue from Data & Insights, which traditionally has higher margins compared to the other business units. Whilst gross profit was down on pcg due to the decrease in revenues (\$10,993,720 for the half-year ended 31 December 2018 vs \$12,492,683 for the half-year ended 31 December 2017), the restructuring of the group's cost base, which commenced in H2FY2018, had a significant impact on EBITDA of \$271,367 (up 583% from \$39,712 on pcg).

The group continues to execute on creating a more sustainable business by focusing on growing the core Data & Insights business and minimising the impact of weaker-performing business areas, which declined in revenues and margin. This, coupled with a reduction to the cost base is expected to have a growing, positive impact on the Company's bottom line.

Significant changes in the state of affairs

As announced to the ASX on 4 October 2018, the Company sold its media trading business in cash and Pureprofile shares. The receipt of shares was effected by way of a selective share buy-back, which was approved by the Company's shareholders at its AGM in November 2018.

There were no other significant changes in the state of affairs of the group during the financial half-year.

Matters subsequent to the end of the financial half-year

On 12 February 2019, the Company announced to the ASX that it had entered into an agreement with Unity4 for the sale of its ANZ-based Performance business unit. Under the terms of the sale, Unity4 will acquire 100% of the shares in Cohort Holdings Australia Pty Ltd, which comprises the Australia and New Zealand operations of the Company's Performance business unit. The sale price for the transaction is \$500,000.

On 26 February 2019, the Company entered into an additional \$3,000,000 corporate line of credit. The additional debt facility expires on 30 June 2020. There are no earnings-based loan covenants attached to the facility. However, the facility includes a repayment fee payable out of the proceeds of any binding offer by a Third Party to acquire, recapitalise or otherwise to seek control of the Company. The terms of the facility include the Company repaying the Lender agreed principal instalments commencing quarterly on 30 June 2019 until the date of expiration.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Andrew Edwards
Non-Executive Chairman

28 February 2019
Sydney



Grant Thornton

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration to the Directors of Pureprofile Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Pureprofile Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

S M Coulton
Partner - Audit & Assurance

Sydney, 28 February 2019

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Pureprofile Ltd
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

		Consolidated	
	Note	31 Dec 2018	31 Dec 2017
		\$	\$
Revenue from continuing operations	3	18,805,942	24,075,144
Other income	4	228,448	1,155,555
Interest revenue calculated using the effective interest method		2,369	2,807
Expenses			
Direct cost of sales		(9,530,055)	(12,593,121)
Employee benefits expense		(6,889,675)	(8,481,535)
Foreign exchange loss		(123,501)	(292,832)
Depreciation and amortisation expense		(1,970,946)	(2,469,093)
Impairment of assets		(2,453,010)	(5,989,381)
Loss on disposal of intangible assets		-	(1,058,000)
Technology, engineering and licence fees		(1,526,110)	(1,529,559)
Share-based payment expense		-	(72,884)
Restructuring, acquisition and capital raising costs		-	(17,700)
Occupancy costs		(834,422)	(861,200)
Other expenses		(1,116,128)	(1,682,261)
Finance costs		(1,302,394)	(766,506)
Loss before income tax (expense)/benefit from continuing operations		(6,709,482)	(10,580,566)
Income tax (expense)/benefit		(493,544)	1,487,456
Loss after income tax (expense)/benefit from continuing operations		(7,203,026)	(9,093,110)
Profit after income tax expense from discontinued operations	5	919,600	287,469
Loss after income tax (expense)/benefit for the half-year attributable to the owners of Pureprofile Ltd		(6,283,426)	(8,805,641)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		26,217	161,849
Other comprehensive income for the half-year, net of tax		26,217	161,849
Total comprehensive income for the half-year attributable to the owners of Pureprofile Ltd		<u>(6,257,209)</u>	<u>(8,643,792)</u>
Total comprehensive income for the half-year is attributable to:			
Continuing operations		(7,176,809)	(8,931,261)
Discontinued operations		919,600	287,469
		<u>(6,257,209)</u>	<u>(8,643,792)</u>

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

Pureprofile Ltd
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

		Consolidated	
	Note	31 Dec 2018	31 Dec 2017
		\$	\$
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Pureprofile Ltd			
Basic earnings per share	16	(5.98)	(8.00)
Diluted earnings per share	16	(5.98)	(8.00)
Earnings per share for profit from discontinued operations attributable to the owners of Pureprofile Ltd			
Basic earnings per share	16	0.76	0.25
Diluted earnings per share	16	0.76	0.25
Earnings per share for loss attributable to the owners of Pureprofile Ltd			
Basic earnings per share	16	(5.22)	(7.74)
Diluted earnings per share	16	(5.22)	(7.74)

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

Pureprofile Ltd
Statement of financial position
As at 31 December 2018

			Consolidated	
	Note	31 Dec 2018	30 Jun 2018	
		\$	\$	
Assets				
Current assets				
Cash and cash equivalents		1,412,311	2,481,770	
Trade and other receivables	6	5,204,978	6,802,663	
Contract assets		264,347	268,481	
Prepayments		803,368	516,938	
Total current assets		<u>7,685,004</u>	<u>10,069,852</u>	
Non-current assets				
Property, plant and equipment		311,090	377,982	
Intangibles	7	15,796,891	19,144,187	
Deferred tax		-	422,870	
Total non-current assets		<u>16,107,981</u>	<u>19,945,039</u>	
Total assets		<u>23,792,985</u>	<u>30,014,891</u>	
Liabilities				
Current liabilities				
Trade and other payables	8	12,195,280	11,497,849	
Contract liabilities		243,257	385,556	
Borrowings	9	10,000,000	-	
Income tax		282,419	303,676	
Provisions		1,618,149	1,806,635	
Total current liabilities		<u>24,339,105</u>	<u>13,993,716</u>	
Non-current liabilities				
Borrowings	10	-	10,000,000	
Provisions		163,498	132,085	
Total non-current liabilities		<u>163,498</u>	<u>10,132,085</u>	
Total liabilities		<u>24,502,603</u>	<u>24,125,801</u>	
Net assets/(liabilities)		<u>(709,618)</u>	<u>5,889,090</u>	
Equity				
Issued capital	11	41,461,652	41,803,151	
Reserves	12	260,420	234,203	
Accumulated losses		<u>(42,431,690)</u>	<u>(36,148,264)</u>	
Total equity/(deficiency)		<u>(709,618)</u>	<u>5,889,090</u>	

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

Pureprofile Ltd
Statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017	39,937,294	126,010	(10,168,387)	29,894,917
Loss after income tax benefit for the half-year	-	-	(8,805,641)	(8,805,641)
Other comprehensive income for the half-year, net of tax	-	161,849	-	161,849
Total comprehensive income for the half-year	-	161,849	(8,805,641)	(8,643,792)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	1,864,981	-	-	1,864,981
Share-based payments	-	77,884	-	77,884
Balance at 31 December 2017	<u>41,802,275</u>	<u>365,743</u>	<u>(18,974,028)</u>	<u>23,193,990</u>

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2018	41,803,151	234,203	(36,148,264)	5,889,090
Loss after income tax expense for the half-year	-	-	(6,283,426)	(6,283,426)
Other comprehensive income for the half-year, net of tax	-	26,217	-	26,217
Total comprehensive income for the half-year	-	26,217	(6,283,426)	(6,257,209)
<i>Transactions with owners in their capacity as owners:</i>				
Share buy-back	(341,499)	-	-	(341,499)
Balance at 31 December 2018	<u>41,461,652</u>	<u>260,420</u>	<u>(42,431,690)</u>	<u>(709,618)</u>

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

Pureprofile Ltd
Statement of cash flows
For the half-year ended 31 December 2018

	Consolidated	
Note	31 Dec 2018	31 Dec 2017
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	25,113,321	32,610,758
Payments to suppliers and employees (inclusive of GST)	(23,252,422)	(29,311,442)
	1,860,899	3,299,316
Interest received	2,369	2,807
Interest, restructuring and other finance costs paid	(1,493,447)	(766,506)
Income taxes (paid)/refunded	(92,315)	(163,793)
Net cash from operating activities	277,506	2,371,824
Cash flows from investing activities		
Final payments for prior period's purchase of business	-	(3,298,856)
Payment for expenses relating to acquisitions	(65,888)	(17,700)
Payments for property, plant and equipment	(47,927)	(147,942)
Payments for intangibles	7 (1,470,367)	(2,215,571)
Proceeds from disposal of business	200,000	-
Proceeds from disposal of intangibles	10,698	-
Net cash used in investing activities	(1,373,484)	(5,680,069)
Cash flows from financing activities		
Proceeds from borrowings	-	10,000,000
Repayment of borrowings	-	(4,000,000)
Net cash from financing activities	-	6,000,000
Net increase/(decrease) in cash and cash equivalents	(1,095,978)	2,691,755
Cash and cash equivalents at the beginning of the financial half-year	2,481,770	1,676,502
Effects of exchange rate changes on cash and cash equivalents	26,519	642,262
Cash and cash equivalents at the end of the financial half-year	1,412,311	5,010,519

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

New or amended Accounting Standards and Interpretations adopted

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the group:

AASB 9 Financial Instruments

The group has adopted AASB 9 from 1 July 2018, using the modified retrospective approach. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

The group has adopted AASB 15 from 1 July 2017, using the fully retrospective approach. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The adoption of these standards resulted in the following adjustments:

- interest receivable is now shown on the face of profit or loss;
- provision for impairment of receivables is now reclassified as allowance for expected credit loss;
- accrued revenue (previously classified in other current assets) now reclassified as contract asset; and
- deferred revenue now reclassified as contract liability.

Note 1. Significant accounting policies (continued)

There was no change in the carrying amounts on adoption of AASB 9 as at 1 July 2018 and AASB 15 as at 1 July 2017.

Revenue recognition

The group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Sales revenue - data and insights

Revenue relating to the provision of services for Data & Insights encapsulates online market research services which helps businesses connect to, and receive feedback from, consumers who are registered to www.pureprofile.com. The group generates sales revenue by charging clients for access to its online panel for survey responses and may additionally charge for set-up and support services. Contracts with clients generally comprise a single distinct performance obligation, being the provision of market research services and the transaction price is allocated to the single performance obligation. Some contracts contain multiple deliverables – such as set-up and support services. In such circumstances, these multiple deliverables are considered to represent a single distinct performance obligation, given there is a significant integration performed by the group in delivering the services. For fixed-price contracts, revenue is recognised over time and is based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual surveys completed relative to the total expected surveys.

Sales revenue - media

Revenue relating to the provision of services for Media sales including programmatic buying and selling of ad inventory, online marketing solutions for advertisers and advertising yield optimisation solutions for online publishers. The group generates sales revenue for managed campaign (programmatic trading) services by charging clients for purchasing ad inventory and managing the placement of ads on their behalf (at a marked-up price to the ad inventory purchased or as a service fee). The group also generates sales revenue for Media Trading service by buying and reselling ad inventory. The group also generates sales revenue by helping publishers to increase yield through programmatically selling their ad inventory. Contracts with clients generally comprise a single distinct performance obligation, being the provision of Media services described above and the transaction price is allocated to the single performance obligation. Fees for the provision of services are recognised as revenue as the services are rendered, in accordance with the terms and conditions of the service agreement.

Sales revenue - Performance

Revenue relating to the provision of services for digital marketing by providing lead generation and email marketing services. The group generates sales revenue for lead generation services by charging clients on a price per lead basis. The group generates sales revenue from email marketing by various revenue models including cost per thousand (CPM), cost per click (CPC) and cost per acquisition (CPA). Contracts with clients generally comprise a single distinct performance obligation, being the provision of Lead Generation and Email marketing services described above and the transaction price is allocated to the single performance obligation. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual leads obtained relative to the total expected leads.

Note 1. Significant accounting policies (continued)

Interest

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

Other revenue

Other revenue includes rental income relating to the sub-lease of premises and is recognised when it is received or when the right to receive payment is established.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days

The group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Contract assets

Contract assets are recognised when the group has transferred goods or services to the customer but where the group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Contract liabilities

Contract liabilities represent the group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the group has transferred the goods or services to the customer. Contract liabilities was previously called 'deferred revenue' in the 30 June 2018 Annual Report.

Going Concern

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

The group incurred a loss after income tax of \$6,283,426 (31 December 2017: \$8,805,641) and was in a net current liability position of \$16,654,101 (30 June 2018: \$3,923,864). \$10,000,000 of this net current liability relates to the Company's debt facility with Lucerne Finance Pty Ltd (Lender). The group also had net positive cash flows from operations of \$277,506 (31 December 17: net cash inflows of \$2,371,824). As at 31 December 2018, the Company was in breach of its loan covenant with respect to the amount of net tangible assets held. Subsequent to 31 December 2018, this breach was acknowledged and waived by the Lender. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern.

The directors believe that there are reasonable grounds to conclude that the group will continue as a going concern, after consideration of the following factors:

- Subsequent to 31 December 2018, the group has restructured its debt facility with the Lender to support its 3-year forecast, including the following, which have already been secured:
 - (i) an extension to its existing \$10,000,000 debt facility to February 2020;
 - (ii) an additional \$3,000,000 corporate line of credit which will be used to fund working capital;
- the group has executed on a number of strategic decisions during the first half of FY2019, including the sale of the Media Trading business and the agreement with Unity4 for the sale of its ANZ Performance business expected to complete on 1 March 2019. The discontinuation of these business units, which have historically generated declining revenues and lower gross margins, is expected to improve the group's gross margin and EBITDA as a result;
- restructuring activities which were executed during FY2018 and the ongoing identification of further cost saving initiatives during FY2019 continue to better align expenses to revenue and to strengthen EBITDA; and
- the above changes complemented by robust processes for cash management will support the cash needs during the transition to a simpler business model.

Note 1. Significant accounting policies (continued)

Accordingly, the directors believe the group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the consolidated financial report. Should the group be unable to continue as a going concern it may be required to release its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying value amounts of the amounts of liabilities that might result should the group be unable to continue as a going concern and meet its debts as and when they fall due.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

Note 2. Operating segments

Identification of reportable operating segments

The Group is organised into three operating segments:

- Data & Insights;
- Media; and
- Performance

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Types of products and services

The principal products and services are as follows:

Data & Insights	Conducting market research and providing research technology platforms
Media	Buying and selling online advertising inventory on behalf of advertisers and publishers
Performance	Generates leads for clients through its consumer database and proprietary and partner digital assets

Major customers

No single customer contributed 10% or more to the group's external revenue during the half years ended 31 December 2018 and 31 December 2017.

Operating segment information

	Data & Insights \$	Media \$	Performance \$	Corporate \$	Total \$
Consolidated - 31 Dec 2018					
Revenue					
Sales to external customers	9,468,467	8,350,518	5,943,373	-	23,762,358
Interest revenue	-	-	-	2,369	2,369
Total revenue	9,468,467	8,350,518	5,943,373	2,369	23,764,727
Profit/(loss) before significant items, net finance costs, tax, depreciation and amortisation	3,521,121	1,572,599	232,858	(5,055,211)	271,367
Depreciation and amortisation	(1,199,778)	(221,021)	(475,477)	(127,270)	(2,023,546)
Impairment of assets	-	-	(2,453,010)	-	(2,453,010)
Loss on disposal of intangible assets	-	(284,668)	-	-	(284,668)
Interest revenue	-	-	-	2,369	2,369
Finance costs	-	-	-	(1,302,394)	(1,302,394)
Profit/(loss) before income tax expense	2,321,343	1,066,910	(2,695,629)	(6,482,506)	(5,789,882)
Income tax expense	-	-	-	-	(493,544)
Loss after income tax expense					(6,283,426)

Note 2. Operating segments (continued)

	Data & Insights \$	Media \$	Performance \$	Corporate \$	Total \$
Consolidated - 31 Dec 2017					
Revenue					
Sales to external customers	8,156,563	9,087,600	11,085,853	-	28,330,016
Interest revenue	-	-	2,533	274	2,807
Total revenue	8,156,563	9,087,600	11,088,386	274	28,332,823
Profit/(loss) before significant items, net finance costs, tax, depreciation and amortisation	2,451,300	819,443	597,994	(3,829,025)	39,712
Depreciation and amortisation	(1,049,060)	(165,210)	(1,172,179)	(135,280)	(2,521,729)
Impairment of assets	-	-	(5,989,381)	-	(5,989,381)
Loss on disposal of intangible assets	-	-	(1,058,000)	-	(1,058,000)
Interest revenue	-	-	-	2,807	2,807
Finance costs	-	-	-	(766,506)	(766,506)
Profit/(loss) before income tax benefit	1,402,240	654,233	(7,621,566)	(4,728,004)	(10,293,097)
Income tax benefit					1,487,456
Loss after income tax benefit					(8,805,641)

All assets and liabilities, including taxes are not allocated to the operating segments as they are managed on an overall group basis.

Revenue by geographical area

The group operates in three regions (31 December 2017: 3 regions). The sales revenue for each region is as follows:

	Consolidated 31 Dec 2018 \$	31 Dec 2017 \$
Australasia	19,902,238	25,368,897
Europe	3,062,116	2,615,394
US	798,004	345,725
	23,762,358	28,330,016

Note 3. Revenue

	Consolidated 31 Dec 2018 \$	31 Dec 2017 \$
From continuing operations		
Data & Insights	9,468,467	8,156,563
Media	3,394,102	4,832,728
Performance	5,943,373	11,085,853
Revenue from continuing operations	18,805,942	24,075,144

Disaggregation of revenue

Refer to note 2 'Operating segments' for analysis of revenue by major product line and geographical region.

During the financial half-years ended 31 December 2018 and 31 December 2017, all revenue was recognised based on services transferred over time.

Note 4. Other income

	Consolidated 31 Dec 2018 \$	31 Dec 2017 \$
Net gain on disposal of intangible assets, property, plant and equipment	10,698	-
Revaluation of earn-out liability	-	1,155,555
Rental income	217,750	-
Other income	<u>228,448</u>	<u>1,155,555</u>

Note 5. Discontinued operations

Description

On 4 October 2018, the group entered into a binding agreement to sell its media trading business unit ('Media Trading Business') which acquired as part of the acquisition of Sparcmedia in 2015. The Media Trading Business was sold for total consideration of \$541,499 comprising \$200,000 which was paid in cash and \$341,499 by way of a buy-back of the company's shares.

Financial performance information

	Consolidated 31 Dec 2018 \$	31 Dec 2017 \$
Revenue from contracts with customers	4,956,416	4,254,872
Direct cost of sales	(3,465,869)	(3,239,881)
Employee benefits expense	(285,693)	(390,569)
Depreciation and amortisation expense	(52,600)	(52,636)
Loss on disposal of intangible assets	(284,668)	-
Technology, engineering and licence fees	(109,575)	(202,818)
Share-based payment expense	-	(5,000)
Other expenses	(54,999)	(76,499)
Total expenses	<u>(4,253,404)</u>	<u>(3,967,403)</u>
Profit before income tax expense	703,012	287,469
Income tax expense	-	-
Profit after income tax expense	<u>703,012</u>	<u>287,469</u>
Gain on disposal before income tax	216,588	-
Income tax expense	-	-
Gain on disposal after income tax expense	<u>216,588</u>	<u>-</u>
Profit after income tax expense from discontinued operations	<u>919,600</u>	<u>287,469</u>

Note 5. Discontinued operations (continued)

Carrying amounts of assets and liabilities disposed

	Consolidated 31 Dec 2018 \$
Property, plant and equipment	2,966
Intangibles	167,991
Total assets	<u>170,957</u>
Provisions	41,622
Total liabilities	<u>41,622</u>
Net assets	<u><u>129,335</u></u>

Details of the disposal

	Consolidated 31 Dec 2018 \$
Total sale consideration	541,499
Carrying amount of net assets disposed	(129,335)
Less amounts to be settled in future periods	<u>(195,576)</u>
Gain on disposal before income tax	<u>216,588</u>
Gain on disposal after income tax	<u><u>216,588</u></u>

Disposal of Cohort Holdings Australia Pty Ltd subsequent to 31 December 2018

On 12 February 2019, the group announced to the ASX that it had entered into an agreement with Unity4 for the sale of its ANZ-based Performance business unit. Under the terms of the sale, Unity4 will acquire 100% of the shares in Cohort Holdings Australia Pty Ltd, which comprises the Australia and New Zealand operations of the Company's Performance business unit. The sale price for the transaction is \$500,000.

Note 6. Current assets - trade and other receivables

	Consolidated 31 Dec 2018 \$	30 Jun 2018 \$
Trade receivables	5,461,933	7,266,126
Less: Allowance for expected credit losses	<u>(401,278)</u>	<u>(615,897)</u>
	5,060,655	6,650,229
Other receivables	<u>144,323</u>	<u>152,434</u>
	<u><u>5,204,978</u></u>	<u><u>6,802,663</u></u>

Note 7. Non-current assets - intangibles

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$	\$
Goodwill - at cost	19,003,285	19,003,285
Less: Impairment	<u>(13,396,158)</u>	<u>(13,396,158)</u>
	5,607,127	5,607,127
Software - at cost	23,763,347	22,745,638
Less: Accumulated amortisation	<u>(10,909,791)</u>	<u>(9,467,946)</u>
Less: Impairment	<u>(4,598,724)</u>	<u>(4,598,724)</u>
	8,254,832	8,678,968
Customer contracts and partner network arrangement - at cost	3,622,000	3,622,000
Less: Accumulated amortisation	<u>(1,168,990)</u>	<u>(896,428)</u>
Less: Impairment	<u>(2,453,010)</u>	<u>-</u>
	-	2,725,572
Membership base - at cost	2,694,410	2,694,410
Less: Accumulated amortisation	<u>(853,478)</u>	<u>(655,890)</u>
	1,840,932	2,038,520
Brand names - at cost	94,000	94,000
	<u>15,796,891</u>	<u>19,144,187</u>

Reconciliations

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

	Goodwill	Software	Customer contracts and partner network arrangement	Membership base	Brand names	Total
	\$	\$	\$	\$	\$	\$
Consolidated						
Balance at 1 July 2018	5,607,127	8,678,968	2,725,572	2,038,520	94,000	19,144,187
Additions	-	1,470,367	-	-	-	1,470,367
Disposals	-	(452,658)	-	-	-	(452,658)
Impairment of assets	-	-	(2,453,010)	-	-	(2,453,010)
Amortisation expense	-	(1,441,845)	(272,562)	(197,588)	-	(1,911,995)
Balance at 31 December 2018	<u>5,607,127</u>	<u>8,254,832</u>	<u>-</u>	<u>1,840,932</u>	<u>94,000</u>	<u>15,796,891</u>

The group recognised an impairment to intangible assets of \$2,453,010, which consisted of that business unit's customer contracts and partner network relationships based on the expected recoverable amount upon sale of the business.

Note 8. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$	\$
Trade payables	6,032,460	5,276,716
Accrued expenses	4,608,319	4,663,772
Other payables	1,554,501	1,557,361
	<u>12,195,280</u>	<u>11,497,849</u>

Note 9. Current liabilities - borrowings

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$	\$
Bank loans	<u>10,000,000</u>	<u>-</u>

\$10,000,000 loan facility

Following an extension to the loan facility subsequent to 31 December 2018, the loan is now repayable on 28 February 2020 with interest only payments to be made monthly in arrears. Interest is fixed and payable at 9.5% per annum. The facility expires on 28 February 2020. As at 31 December 2018, the facility is fully used and there are no unused amounts. The loan is secured over all the assets of the group. As at 30 June 2018, the loan was included in non-current liabilities. As at 31 December 2018, the Company was in breach of its loan covenant and is included in current liabilities at 31 December 2018. Subsequent to 31 December 2018, this breach was acknowledged and waived by the Lender.

As part consideration for the financing facility the group also issued the following performance rights to the lender:

- 950,000 performance rights, which will convert to fully paid-up ordinary shares upon the 60-day volume weighted average price ('VWAP') of Pureprofile shares reaching \$0.40 per share; and
- 1,150,000 performance rights, which will convert to fully paid-up ordinary shares upon the 60-day VWAP of Pureprofile shares reaching \$0.60 per share.

Note 10. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2018	30 Jun 2018
	\$	\$
Borrowings	<u>-</u>	<u>10,000,000</u>

Refer to note 9 for further information on borrowings.

Note 11. Equity - issued capital

	Consolidated			
	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>117,526,063</u>	<u>120,495,625</u>	<u>41,461,652</u>	<u>41,803,151</u>

Note 11. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2018	120,495,625		41,803,151
Share buy-back	24 December 2018	<u>(2,969,562)</u>	\$0.12	<u>(341,499)</u>
Balance	31 December 2018	<u>117,526,063</u>		<u>41,461,652</u>

Ordinary shares

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

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

Note 12. Equity - reserves

	Consolidated 31 Dec 2018 \$	30 Jun 2018 \$
Foreign currency reserve	(188,821)	(215,038)
Share-based payments reserve	<u>449,241</u>	<u>449,241</u>
	<u>260,420</u>	<u>234,203</u>

Foreign currency reserve

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

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

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

Consolidated	Foreign currency \$	Share-based payments \$	Total \$
Balance at 1 July 2018	(215,038)	449,241	234,203
Foreign currency translation	<u>26,217</u>	-	<u>26,217</u>
Balance at 31 December 2018	<u>(188,821)</u>	<u>449,241</u>	<u>260,420</u>

Note 13. Equity - dividends

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

Note 14. Fair value measurement

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 15. Contingent liabilities

The group has given a bank guarantee as at 31 December 2018 of \$182,337 (30 June 2018: \$182,337) to its landlord for leased property.

Note 16. Earnings per share

	Consolidated 31 Dec 2018 \$	31 Dec 2017 \$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Pureprofile Ltd	<u>(7,203,026)</u>	<u>(9,093,110)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	120,382,652	113,731,997
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>120,382,652</u>	<u>113,731,997</u>
	Cents	Cents
Basic earnings per share	(5.98)	(8.00)
Diluted earnings per share	(5.98)	(8.00)
	Consolidated 31 Dec 2018 \$	31 Dec 2017 \$
<i>Earnings per share for profit from discontinued operations</i>		
Profit after income tax attributable to the owners of Pureprofile Ltd	<u>919,600</u>	<u>287,469</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	120,382,652	113,731,997
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>120,382,652</u>	<u>113,731,997</u>
	Cents	Cents
Basic earnings per share	0.76	0.25
Diluted earnings per share	0.76	0.25
	Consolidated 31 Dec 2018 \$	31 Dec 2017 \$
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of Pureprofile Ltd	<u>(6,283,426)</u>	<u>(8,805,641)</u>

Note 16. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	120,382,652	113,731,997
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>120,382,652</u>	<u>113,731,997</u>
	Cents	Cents
Basic earnings per share	(5.22)	(7.74)
Diluted earnings per share	(5.22)	(7.74)

Options have been excluded from the calculation of diluted earnings per share as they were considered anti-dilutive.

Note 17. Events after the reporting period

On 12 February 2019, the Company announced to the ASX that it had entered into an agreement with Unity4 for the sale of its ANZ-based Performance business unit. Under the terms of the sale, Unity4 will acquire 100% of the shares in Cohort Holdings Australia Pty Ltd, which comprises the Australia and New Zealand operations of the Company's Performance business unit. The sale price for the transaction is \$500,000.

On 26 February 2019, the Company entered into an additional \$3,000,000 corporate line of credit. The additional debt facility expires on 30 June 2020. There are no earnings-based loan covenants attached to the facility. However, the facility includes a repayment fee payable out of the proceeds of any binding offer by a Third Party to acquire, recapitalise or otherwise to seek control of the Company. The terms of the facility include the Company repaying the Lender agreed principal instalments commencing quarterly on 30 June 2019 until the date of expiration.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Pureprofile Ltd
Directors' declaration
31 December 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the group's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Andrew Edwards
Non-Executive Chairman

28 February 2019
Sydney

Independent Auditor's Review Report

To the Members of Pureprofile Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Pureprofile Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Pureprofile Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half-year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$6,283,426 during the half-year ended 31 December 2018, and as of that date, the Group's current liabilities exceeded its current assets by \$16,654,101. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

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


Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pureprofile Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



S M Coulton
Partner – Audit & Assurance

Sydney, 28 February 2019