



LatAm Autos Limited

ABN 12 169 063 414

Appendix 4D

Half-year Financial Report - 30 June 2017

LatAm Autos Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	LatAm Autos Limited
ABN:	12 169 063 414
Reporting period:	For the half-year ended 30 June 2017
Previous period:	For the half-year ended 30 June 2016

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	down	24.1% to	2,967
Loss from ordinary activities after tax attributable to the owners of LatAm Autos Limited	up	9.8% to	(7,277)
Loss for the half-year attributable to the owners of LatAm Autos Limited	up	9.8% to	(7,277)

Dividends

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

Comments

The loss for the Consolidated Entity after providing for income tax amounted to \$7,277,000 (30 June 2016: \$6,626,000).

For a brief explanation of any of the figures reported above, please refer to the financial report for the half-year ended 30 June 2017 released with this document.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.36)	1.68

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Half-year Financial Report.

11. Attachments

Details of attachments (if any):

The Half-year Financial Report of LatAm Autos Limited for the half-year ended 30 June 2017 is attached.

12. Signed


Signed _____

Date: 31 August 2017

Tim Handley
Executive Chairman

LatAm Autos Limited

ABN 12 169 063 414

Half-year Financial Report - 30 June 2017

LatAm Autos Limited**Contents****30 June 2017**

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LatAm Autos Limited
Corporate directory
30 June 2017

Directors	Tim Handley (Executive Chairman) Jorge Mejía Ribadeneira (Executive Director & Chief Executive Officer) Simon Clausen (Non-executive Director) Michael Fitzpatrick (Non-executive Director) Colin Galbraith (Non-executive Director) Gareth Bannan (Alternate Director) Cameron Griffin (Alternate Director)
Company secretaries	Melanie Leydin Gareth Bannan
Registered office	Level 4, 100 Albert Road South Melbourne, VIC 3205 Tel: +61 3 9692 7222 Fax: +61 3 9077 9233
Principal place of business	Latamautos Corporación Isla Pinzon y Tomas Berlanga Quito Ecuador Tel: +593 2 393 2200
Share register	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000
Auditor	Grant Thornton The Rialto Level 30, 525 Collins Street Melbourne VIC 3000
Stock exchange listing	LatAm Autos Limited shares are listed on the Australian Securities Exchange (ASX code: LAA)
Website	www.latamautos.com

LatAm Autos Limited
Directors' report
30 June 2017

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of LatAm Autos Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2017.

Directors

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

Tim Handley (Executive Chairman)
Jorge Mejía Ribadeneira (Executive Director & Chief Executive Officer)
Simon Clausen (Non-Executive Director)
Michael Fitzpatrick (Non-Executive Director)
Colin Galbraith (Non-Executive Director)
Gareth Bannan (Alternate Director)
Cameron Griffin (Alternate Director)

Principal activities

The Consolidated Entity is a dedicated online auto classifieds business with operations in Mexico, Ecuador, Peru, Panama, Argentina, and Bolivia. In these key Latin American markets ('LatAm Markets'), the Consolidated Entity provides a dedicated online auto classifieds platform to commercial sellers, private sellers and buyers of vehicles. The Consolidated Entity also offers premium automotive related content to automotive buyers and enthusiasts, as well as advertising services and solutions.

The Consolidated Entity also has an offline magazine in Argentina providing automotive related content, advertising services and automotive classifieds.

Dividends

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

Review of operations

The loss for the Consolidated Entity after providing for income tax amounted to \$7,277,000 (30 June 2016: \$6,626,000).

Financial Performance

The Company achieved sales of \$2,967,000 for 1H17 (1H16: \$3,911,000) and a loss after providing for income tax amounted to \$7,277,000 (1H16: \$6,626,000). The decrease in overall revenue versus pcp was the result of the Company's restructure that resulted in the closure of its Argentinian operations (1H17 contribution of \$0.3 million compared to \$1.2 million in 1H16). Additionally, the Company incurred \$0.7 million in one-off restructuring operating expenses in 1H17.

On a proforma consolidated basis (excluding impacts from Argentina and Share based payments), in Australian dollar terms, revenue grew 4% and EBITDA loss decreased by 12% between 1H16 and 1H17. The new depth products contributed a material proportion to the revenues in 1H17 and management is excited by their growth and expects them to be a substantial contributor in 2H17.

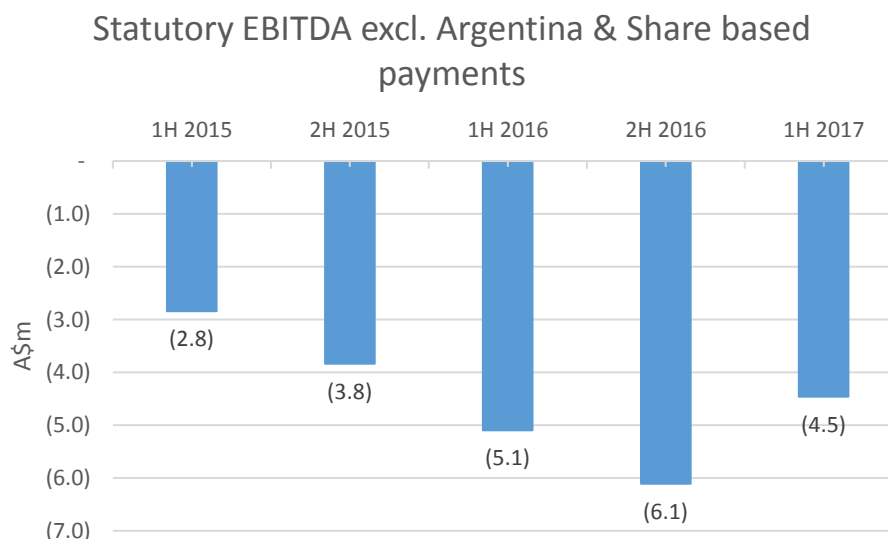
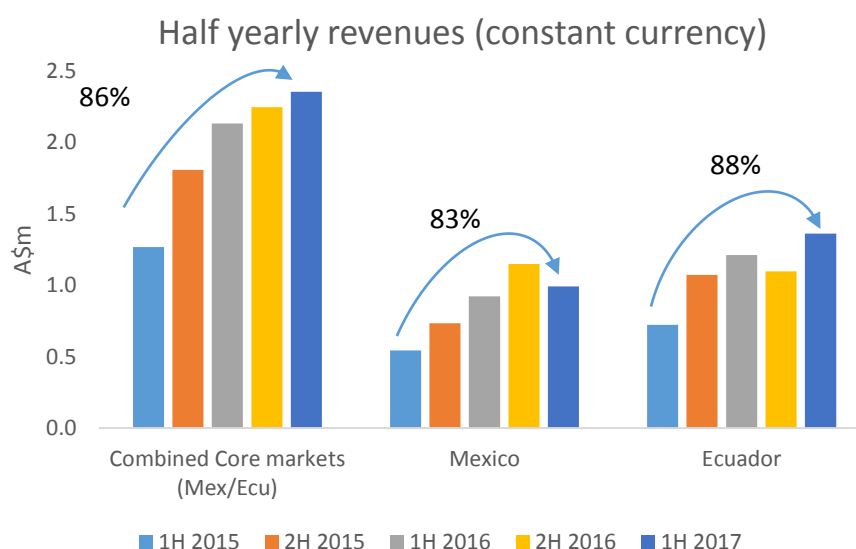
Growth in revenues, in local currency terms, for the Company's core markets of Mexico and Ecuador (1H17 compared to 1H16) were due to:

- Introduction of Depth Products (being MotorCredit, CarSync, General Insurance and Mechanical Guarantee) to the Company's revenue model contributed around \$0.4 million, largely in Ecuador which accounted for approximately 95% of revenues from Depth Products for 1H17
- Mexico is expected to contribute a substantially larger proportion of revenues from Depth Products in 2H17 given that MotorCredit was launched in May 2017
- Revenue growth in Mexico was largely driven by growth from Dealers and Advertising, which increased by 9% and 7% respectively in 1H17, which is testament to the site's increasing engagement and relevance

Additionally, Offline revenues also decreased by almost 70% as a result of the closure of the Argentinian operations which had a significant percentage of its revenues from print sources.

Assisting with the underlying EBITDA improvement, marketing expenses decreased by \$1.7 million or 50% due to significant optimization of marketing expenses and the closure of the Argentinian operations.

Revenue (Local currency millions)	1H16	1H17	Growth
Mexico (MXN)	12.9	13.8	8%
Ecuador (USD)	0.9	1.0	12%
Peru (PEN)	0.5	0.5	-1%



Group Overview

During the period, the Company undertook a substantial restructure of its business that has now been fully implemented. The rationale behind restructure was:

- Identify key markets in which LAA has strong market leadership and upside potential
- Maximise return on investment by focusing on these markets
- Exit any operations regarded as either non-core or not viewed as being able to achieve profitability in an acceptable time frame
- Decrease cash burn in order to accelerate the path to profitability
- Raise sufficient capital to optimise the chances of achieving all the objectives above

As a result, the Company took the decision to focus in the short term on its core markets of Mexico and Ecuador, whilst Peru has been placed on break-even and the Company exited the Argentinian market.

Strategic Review

As announced on 13 April 2017, after receiving several proposals to acquire parts of the Company's operations, LatAm Autos completed a strategic review of the Company. A timeline explaining the operational and corporate activity leading up the strategic review is below:

Nov 2016 – Jan 2017	▪ LatAm Autos assesses a number of strategic and funding opportunities ▪ Rothschild appointed as corporate advisor to consider strategic options for the company ▪ Decision made to proceed with capital raising that was expected to fund the business to cashflow breakeven
31 Jan 2017 – 1 Feb 2017	▪ Trading halt to conduct capital raising
1 Feb 2017	▪ Approaches received from additional third parties in relation to an acquisition of parts of LatAm Autos' business
2 Feb 2017	▪ Enters voluntary suspension to consider capital raising options including a strategic review by Rothschild
16 Mar 2017 – 7 Apr 2017	▪ Strong level of strategic interest in the Company under various transaction structures ▪ The Board of LatAm Autos has determined that none of the proposals received were in the best interests of all shareholders ▪ Completion of internal strategic review, which concluded to focus on Mexico and Ecuador and seek alternative funding through to breakeven on this basis ▪ Funding to breakeven secured through fully underwritten A\$10 million secured convertible note ▪ Rothschild retained as corporate advisor to assess ongoing strategic opportunities
18 Apr 2017	▪ LAA re-commences trading on the ASX

Restructure

A significant restructure of the Company's operations was completed during 1H17, and as reported in the 2Q17 Appendix 4C the following was implemented:

- Successful capital raising of \$10 million through the issue of a secured convertible note underwritten by Non-Executive Directors Mike Fitzpatrick and Simon Clausen (with \$3.25 million received in 1H17 and \$6.75 million to be received in 2H17)
- Reduction in average monthly operational cash burn of 39% versus pcp and 40% vs 1Q17 to \$0.6 million
- Salary reduction of 25% and zero Short Term Incentives payable for the 2016 financial year, for senior management
- Ceased operations in the Argentinian market, providing an estimated cost saving of \$4.5 million p.a. based on 2016 operating expenses associated with the Argentina operations
- Overall operating expense reduction

The total operating expenses of the restructure were A\$0.7 million.

Convertible Note

- The successful agreement of a \$10 million secured convertible note was completed in April 2017, subject to completion of security documents
- \$3.25 million of the total \$10 million was received in 1H17 and the remaining \$6.75 million to be received in 2H17
- The Convertible Note was approved by 99% of voting shareholders at the EGM
- Two of LatAm Autos' Non Executive Directors, Michael Fitzpatrick and Simon Clausen, underwrote the Convertible Note
- Key terms of the note include:
 - o 3 year term
 - o 8% p.a. interest rate paid quarterly or capitalised
 - o Fixed conversion price of \$0.16
 - o The convertible notes are secured over the Company's Mexican and Ecuadorean wholly owned subsidiaries
 - o The convertible notes can be repaid at any time by LatAm Autos, where noteholders can elect to receive the money owing in either cash or ordinary shares in LatAm Autos at 16 cents. Conversion into ordinary shares will be subject to requisite regulatory and shareholder approvals

Achievements

Through the first half of 2017, the Company reached several key milestones, particularly in relation to new depth revenue streams that position the Company's revenue model to capture substantial revenues that are associated with the car purchasing transaction itself (such as finance, insurance, telematics) as opposed to solely providing a marketplace solution. The addition of these new revenue streams is a core component of growth going forward, with the increased average revenue per customer expected to accelerate the Company's path to profitability. Not only do the depth revenue streams have much more attractive unit economics than traditional advertising revenue streams, they all strongly leverage off LatAm Autos' existing dealership network and millions of visitors per month to its classifieds websites.

MotorCredit

MotorCredit is a proprietary automotive finance product developed by LatAm Autos specifically for the Mexican and Ecuadorean markets. The Company facilitates a financial solution for used car buyers in Mexico and Ecuador, via a 1 – 4 year term loan, with the vehicle itself being used as collateral in most cases. The credit product is underwritten by leading financial institutions and LatAm Autos receives a combination of a fixed fee and a percentage of the overall loan value. The ARPU of the MotorCredit product has the potential to provide a significant step change in revenue and profitability growth rates, providing a catalyst to accelerate the path to profitability.

In Ecuador, the Company has commenced facilitating the purchase of cars via personal loans, using the MotorCredit platform, in 3Q17. Personal loans have substantial benefits to the car buyer over traditional auto loans, which have already resulted in encouraging approval rates and unit sales.

With an estimated 4.8 million used cars sold per year in Mexico alone, the Company is very excited about both the initial traction and the huge market opportunity that MotorCredit represents to the Company and how LatAm Autos' existing infrastructure and core strengths make.

Carsync

Carsync is a telematics solution consisting of an electronic device installed in vehicles which allows real-time tracking of location and other data services. In Ecuador, drivers are legally required to install a GPS tracking device on all debt financed vehicles. In Mexico, around 75,000 insured cars are stolen each year, and car tracking technology such as Carsync is a useful tool in maximising stolen car recovery rates. LatAm Autos is remunerated for the installation and renewal of the annual service, calculated as a percentage of the total price charge to customers.

General Insurance

LatAm Autos signed an agreement with a large European insurance company Mapfre to provide an auto insurance solution for used cars. In Ecuador the pooled nature of this product means that it is very price competitive. Accordingly the Company is seeing many unit sales via word of mouth in addition from people that are transacting on the site. The Company is in the process of implementing a similar strategy in Mexico.

LatAm Autos generates revenues depending on the value of the car that is insured purchases the insurance policy.

Mechanical Guarantee

In 2H17 the Company started selling a mechanical guarantee product through its dealership network. The product provides a guarantee on the functioning of certain parts of a used car for a period of up to six months or 12,000 kilometres. The product has a recurring revenue nature to it as it is mainly sold via used car dealerships that sell a certain amount of cars per month.

Organic Traffic Growth

Organic traffic (or free traffic) is fundamental to the profitable growth of any online classifieds business. Pleasingly, the Company recorded very strong growth in both its core markets. For the month June 2017, growth in organic traffic compared to June 2016 was:

- Mexico: +70%
- Ecuador: + 34%

Significant changes in the state of affairs

During the financial period the Consolidated Entity:

(i) Shut down of Argentinian operations.

(ii) On 13 April 2017, the Company announced that it has secured funding through the fully underwritten \$10 million convertible note issuance, which was approved by the Company's shareholders on 19 June 2017.

(iii) As at 30 June 2017, the Company had received a total \$3.25 million in relation to the Convertible Notes to be issued.

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

Matters subsequent to the end of the financial half-year

Subsequent to half-year end, the Company received an additional \$3.5 million in relation to the Convertible Notes to be issued.

Since the end of the financial half year, LatAm Autos has also made several significant announcements:

- On 12 July 2017, the Company announced that LatAm Autos leading Mexican online auto classifieds website has partnered with the leading automotive social marketing influencer in Mexico, Juca, who is a well-known personality in reviewing cars and products, with 4.2 million social media followers.
- On 24 July 2017, the Company announced the execution of an agreement with Credito Real SAB de CV SOFOM ER (BMV: CREAL) ("Credito Real") to formally launch LatAm Autos' MotorCredit product in Mexico, after an initial trial period. The release of MotorCredit in Mexico leverages the leading market position of LatAm Autos' 100%-owned automotive portal www.seminuevos.com.
- On 4 August 2017, the Company announced the signing of a collaboration agreement with one of the largest used car dealer associations in Mexico. Under the agreement, ANCA will promote seminuevos.com as the exclusive auto classifieds portal to its members through its website anca.com.mx and its regular communications with members. In return, seminuevos.com will offer a special plan for members of ANCA the terms of which remain confidential. In addition, ANCA will offer seminuevos.com's auto financing product, MotorCredit, as the exclusive financing solution for its members.

LatAm Autos Limited
Directors' report
30 June 2017

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Rounding of amounts

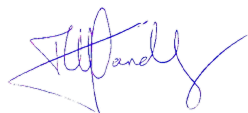
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain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

A handwritten signature in blue ink, appearing to read 'Tim Handley', is written over a horizontal line.

Tim Handley
Executive Chairman

31 August 2017

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Auditor's Independence Declaration To the Directors of LatAm Autos Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of LatAm Autos Limited for the half year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B A Mackenzie
Partner - Audit & Assurance

Melbourne, 31 August 2017

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LatAm Autos Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2017

	Consolidated	
	30 June 2017	30 June 2016
	\$'000	\$'000
Revenue	2,967	3,911
Expenses		
Commissions and rebates expenses	(483)	(267)
Magazine costs	(392)	(593)
Marketing expenses	(1,702)	(3,431)
Employee benefits expense	(4,070)	(3,554)
Depreciation and amortisation expense	(979)	(752)
Operating lease expense	(323)	(310)
Professional and consulting fees expense	(845)	(711)
Travel expense	(144)	(176)
Technology expenses	(254)	(271)
Other expenses	(908)	(633)
Foreign exchange expense	(250)	(172)
Loss before income tax benefit	(7,383)	(6,959)
Income tax benefit	106	333
Loss after income tax benefit for the half-year attributable to the owners of LatAm Autos Limited	(7,277)	(6,626)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation	(353)	(949)
Other comprehensive income for the half-year, net of tax	(353)	(949)
Total comprehensive income for the half-year attributable to the owners of LatAm Autos Limited	(7,630)	(7,575)
	Cents	Cents
Basic earnings per share	(2.35)	(2.15)
Diluted earnings per share	(2.35)	(2.15)

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

LatAm Autos Limited
Statement of financial position
As at 30 June 2017

		Consolidated	31 December
	Note	30 June 2017	2016
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		1,345	4,915
Trade and other receivables		4,075	4,179
Inventories		-	15
Other		440	355
Total current assets		<u>5,860</u>	<u>9,464</u>
Non-current assets			
Receivables		-	44
Property, plant and equipment		446	532
Intangibles	5	23,368	24,171
Deferred tax		506	513
Total non-current assets		<u>24,320</u>	<u>25,260</u>
Total assets		<u>30,180</u>	<u>34,724</u>
Liabilities			
Current liabilities			
Trade and other payables		2,651	3,011
Provisions		1,288	1,039
Other		396	315
Total current liabilities		<u>4,335</u>	<u>4,365</u>
Non-current liabilities			
Deferred tax		791	830
Employee benefits		138	151
Convertible Note	6	2,655	-
Total non-current liabilities		<u>3,584</u>	<u>981</u>
Total liabilities		<u>7,919</u>	<u>5,346</u>
Net assets		<u>22,261</u>	<u>29,378</u>
Equity			
Issued capital	7	59,647	59,647
Other contributed equity		431	-
Reserves		1,429	1,700
Accumulated losses		<u>(39,246)</u>	<u>(31,969)</u>
Total equity		<u>22,261</u>	<u>29,378</u>

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

LatAm Autos Limited
Statement of changes in equity
For the half-year ended 30 June 2017

Consolidated	Issued capital \$'000	Other contributed equity \$'000	Share based payments reserve \$'000	Foreign currency translation reserve \$'000	Retained profits / (Accumulated losses) \$'000	Total equity \$'000
Balance at 1 January 2016	56,992	-	64	2,281	(16,289)	43,048
Loss after income tax benefit for the half-year	-	-	-	-	(6,626)	(6,626)
Other comprehensive income for the half-year, net of tax	-	-	-	(949)	-	(949)
Total comprehensive income for the half-year	-	-	-	(949)	(6,626)	(7,575)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs	2,015	-	-	-	-	2,015
Share-based payments	628	-	82	-	-	710
Balance at 30 June 2016	<u>59,635</u>	<u>-</u>	<u>146</u>	<u>1,332</u>	<u>(22,915)</u>	<u>38,198</u>

Consolidated	Issued capital \$'000	Other contributed equity \$'000	Share based payments reserve \$'000	Foreign currency translation reserve \$'000	Retained profits/ (Accumulated losses) \$'000	Total equity \$'000
Balance at 1 January 2017	59,647	-	230	1,470	(31,969)	29,378
Loss after income tax benefit for the half-year	-	-	-	-	(7,277)	(7,277)
Other comprehensive income for the half-year, net of tax	-	-	-	(353)	-	(353)
Total comprehensive income for the half-year	-	-	-	(353)	(7,277)	(7,630)
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments	-	-	82	-	-	82
Value of conversion rights on convertible notes	-	431	-	-	-	431
Balance at 30 June 2017	<u>59,647</u>	<u>431</u>	<u>312</u>	<u>1,117</u>	<u>(39,246)</u>	<u>22,261</u>

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

LatAm Autos Limited
Statement of cash flows
For the half-year ended 30 June 2017

	Consolidated	
	30 June 2017	30 June 2016
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST and equivalents)	3,519	3,508
Payments to suppliers and employees (inclusive of GST and equivalents)	(9,436)	(9,870)
Legal fees for proposed equity raising	(231)	-
Other cash inflows/(outflows) from operating activities	-	(79)
	<u>(6,148)</u>	<u>(6,441)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Payments for plant and equipment	(14)	(234)
Payments for intangibles	(578)	(849)
	<u>(592)</u>	<u>(1,083)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from issue of shares	-	2,150
Proceeds from Convertible Note	3,250	-
Share issue transaction costs	-	(135)
Transaction costs for the issue of Convertible Note	(53)	-
	<u>3,197</u>	<u>2,015</u>
Net cash from financing activities		
Net decrease in cash and cash equivalents	(3,543)	(5,509)
Cash and cash equivalents at the beginning of the financial half-year	4,915	18,361
Effects of exchange rate changes on cash and cash equivalents	(27)	(146)
	<u>1,345</u>	<u>12,706</u>
Cash and cash equivalents at the end of the financial half-year		

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

Note 1. General information

The financial statements cover LatAm Autos Limited as a consolidated entity consisting of LatAm Autos Limited ('the company') and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is LatAm Autos Limited's functional and presentation currency.

LatAm Autos Limited is a company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the Consolidated Entity'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 31 August 2017.

The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2017 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 31 December 2016 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, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity 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, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

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

During the half-year period ended 30 June 2017, the Consolidated Entity incurred a loss after tax of \$7,277,000 (2016: \$6,626,000) and had net cash outflows from operating activities of \$6,148,000 (2016: \$6,441,000). At 30 June 2017 the consolidated entity had net assets of \$22,261,000 (31 December 2016: \$29,378,000).

During the half-year period ended 30 June 2017, the Company received commitments to raise \$10,000,000 via a fully underwritten convertible note. The convertible note was approved by shareholders at an Extraordinary General Meeting held on 19 June 2017. As at 30 June 2017 the Company had received subscription funds of \$3.25 million, with a further \$3.5 million being received subsequent to half-year end for the Convertible Notes to be issued. The remaining \$3.25 million of Tranche 2 will be received upon finalisation of the security documents. With the proceeds the Company will be able to continue to fund its operations and further develop the Consolidated Entity's projects.

Note 3. Critical accounting judgements, estimates and assumptions

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

In preparing the consolidated interim financial report, the significant judgements made by management in applying the Consolidated Entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the period ended 31 December 2016.

Goodwill and other indefinite life intangible assets

The Consolidated Entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy referred to in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Recovery of deferred tax assets

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

Note 4. Operating segments

Identification of reportable operating segments

The Consolidated Entity operates in one industry, being the provision of online auto classified services, and there are five operating business segments that are determined on the basis of geographic information.

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

The CODM reviews revenues, relevant expenses and Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis

The reportable segments are:

Argentina	Mexico
Ecuador	Peru
Panama	

Business activities are also carried out in Bolivia, however these are not material and, for the purposes of reporting to the CODM, this financial information is included in the Ecuador reportable segment.

Intersegment transactions

There were no material intersegment transactions during the reporting period.

LatAm Autos Limited
Notes to the financial statements
30 June 2017

Note 4. Operating segments (continued)

Major customers

The Consolidated Entity does not have a major customer that contributes more than 10% or more to the Consolidated Entity's revenue.

Operating segment information, including reconciliation to Group totals

Consolidated - half year ended 30 June 2017	Argentina \$'000	Ecuador \$'000	Panama \$'000	Mexico \$'000	Peru \$'000	Total reportable segments \$'000
Revenue						
Sales to external customers	262	1,407	41	960	217	2,887
Total sales revenue	262	1,407	41	960	217	2,887
Operating expenses	(1,462)	(1,132)	(93)	(3,000)	(313)	(6,001)
EBITDA	(1,201)	275	(52)	(2,040)	(96)	(3,114)

Consolidated - half year ended 30 June 2016	Argentina \$'000	Ecuador \$'000	Panama \$'000	Mexico \$'000	Peru \$'000	Total reportable segments \$'000
Revenue						
Sales to external customers	1,249	1,266	72	973	220	3,780
Total sales revenue	1,249	1,266	72	973	220	3,780
Operating expenses	(2,102)	(818)	(120)	(3,970)	(359)	(7,369)
EBITDA	(853)	448	(48)	(2,997)	(139)	(3,589)

The total Revenue and Loss after income tax presented in the Consolidated Entity's operating segments reconcile to the corresponding key financial figures as presented in its Statement of profit or loss and other comprehensive income as follows:

	2017 \$'000	2016 \$'000
Revenue		
Total reportable segment revenues	2,887	3,780
Interest income	5	41
Other revenue	75	90
Group revenues	2,967	3,911

	2017 \$'000	2016 \$'000
Profit or loss		
Total reportable segment EBITDAs	(3,114)	(3,589)
Interest income	5	41
Other revenue	75	90
Foreign exchange gain	(250)	(172)
Financial expenses	(175)	(65)
Depreciation and amortisation expenses	(979)	(752)
Share-based payments expense	(269)	(710)
Impairment	(127)	(69)
Other non-segment expenses	(2,549)	(1,733)
Income tax (expense)/benefit	106	333
Group profit/(loss) after income tax expense/benefit	(7,277)	(6,626)

Note 4. Operating segments (continued)

Geographical information

	Sales to external customers		Geographical non-current assets	
	30 June 2017	30 June 2016	30 June 2017	31 December 2016
	\$'000	\$'000	\$'000	\$'000
Australia	-	-	-	1
Argentina	262	1,249	-	29
Ecuador	1,407	1,266	13,818	15,156
Panama	41	72	13	15
Mexico	960	973	8,106	7,559
Peru	217	220	1,878	1,958
	<u>2,887</u>	<u>3,780</u>	<u>23,815</u>	<u>24,718</u>

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

Note 5. Non-current assets - intangibles

	Consolidated	
	30 June 2017	31 December 2016
	\$'000	\$'000
Goodwill - at cost	18,115	18,248
Software - at cost	5,762	5,539
Less: Accumulated amortisation - software	(2,724)	(1,977)
	<u>3,038</u>	<u>3,562</u>
Domain names and trademarks - at cost	2,616	2,655
Less: Accumulated amortisation - Domain names and trademarks	(449)	(362)
	<u>2,167</u>	<u>2,293</u>
Content - at cost	135	139
Less: Accumulated amortisation - Content	(87)	(71)
	<u>48</u>	<u>68</u>
	<u>23,368</u>	<u>24,171</u>

Note 5. Non-current assets - intangibles (continued)

Reconciliations

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

Consolidated	Content \$'000	Domain names and trademarks \$'000	Software \$'000	Goodwill \$'000	Total \$'000
Balance at 1 January 2017	68	2,293	3,562	18,248	24,171
Additions	-	-	578	-	578
Exchange differences	(4)	(39)	(325)	(133)	(501)
Amortisation expense	(16)	(87)	(777)	-	(880)
Balance at 30 June 2017	48	2,167	3,038	18,115	23,368

	Consolidated	
	30 June 2017	31 December
	\$'000	2016
	\$'000	\$'000
Demotores.com.mx & Seminuevos.com (Mexico)	7,217	6,703
PatioTuerca.com (Ecuador, Panama, Bolivia)	9,281	9,886
Todoautos.pe (Peru)	1,617	1,659
Goodwill allocation at period end	18,115	18,248

Note 6. Non-current liabilities - Convertible Note

	Consolidated	
	30 June 2017	31 December 2016
	\$'000	\$'000
Convertible note at fair value	2,655	-

The parent entity received \$3,250,000 during the financial year in relation to convertible notes to be issued.

The key terms of the Notes are as follows:

- 3 year term
- 8% p.a. interest rate paid quarterly or capitalised
- Fixed conversion price of \$0.16
- The convertible notes are secured over the Company's Mexican and Ecuadorean wholly owned subsidiaries
- The convertible notes can be repaid at any time by LatAm Autos, where noteholders can elect to receive the money owing in either cash or ordinary shares in LatAm Autos at 16 cents. Conversion into ordinary shares will be subject to requisite regulatory and shareholder approvals

The convertible notes are presented in the Statement of financial position as follows:

	Consolidated	
	30 June 2017	30 June 2016
	\$'000	\$'000
Fair value of notes to be issued	3,250	-
Other equity securities - value of convertible rights	(471)	-
	<u>2,779</u>	<u>-</u>
Expenses associated with the liability component	(235)	-
Interest expense *	111	-
Non-current liability	<u>2,655</u>	<u>-</u>

*Interest expense is calculated by applying the effective interest rate of 17.5% to the liability component.

Note 7. Equity - issued capital

	Consolidated			
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>310,258,777</u>	<u>310,258,777</u>	<u>59,647</u>	<u>59,647</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.

Share buy-back

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

Note 8. Events after the reporting period

Subsequent to half-year end, the Company received an additional A\$3.5 million in relation to the Convertible Notes to be issued.

Since the end of the financial half year, LatAm Autos has also made several significant announcements:

- On 12 July 2017, the Company announced that LatAm Autos leading Mexican online auto classifieds website has partnered with the leading automotive social marketing influencer in Mexico, Juca, who is a well-known personality in reviewing cars and products, with 4.2 million social media followers.
- On 24 July 2017, the Company announced the execution of an agreement with Credito Real SAB de CV SOFOM ER (BMV: CREAL) ("Credito Real") to formally launch LatAm Autos' MotorCredit product in Mexico, after an initial trial period. The release of MotorCredit in Mexico leverages the leading market position of LatAm Autos' 100%-owned automotive portal www.seminuevos.com.
- On 4 August 2017, the Company announced the signing of a collaboration agreement with one of the largest used car dealer associations in Mexico. Under the agreement, ANCA will promote seminuevos.com as the exclusive auto classifieds portal to its members through its website anca.com.mx and its regular communications with members. In return, seminuevos.com will offer a special plan for members of ANCA the terms of which remain confidential. In addition, ANCA will offer seminuevos.com's auto financing product, MotorCredit, as the exclusive financing solution for its members.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

LatAm Autos Limited
Directors' declaration
30 June 2017

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 Consolidated Entity's financial position as at 30 June 2017 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



Tim Handley
Executive Chairman

31 August 2017

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Independent Auditor's Review Report To the Members of LatAm Autos Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of LatAm Autos Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow for the period ended on that date, notes to the financial statements, 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 LatAm Autos Limited does not give a true and fair view of the financial position of LatAm Autos Limited as at 30 June 2017, and of its financial performance and its cash flows for the period ended on that date, in accordance with AASB 134 Interim Financial Reporting and Corporations Act 2001.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates the Group has incurred a loss of \$7,277,000 and net operating cash outflows of \$6,148,000 during the period ended 30 June 2017. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Directors' Responsibility for the Half-year Financial Report

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

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Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the Corporations Act 2001, including: giving a true and fair view of the LatAm Autos Limited's consolidated financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. As the auditor of LatAm Autos 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 Australian professional accounting bodies.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B A Mackenzie
Partner - Audit & Assurance

Melbourne, 31 August 2017