

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 2018
Previous period:	For the half-year ended 30 June 2017

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	16.6% to	3,461
Loss from ordinary activities after tax attributable to the owners of LatAm Autos Limited	Down	11.3% to	(6,454)
Loss for the half-year attributable to the owners of LatAm Autos Limited	Down	11.3% to	(6,454)

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 \$6,454,000 (30 June 2017: \$7,276,000).

For a brief explanation of any of the figures reported above, please refer to the financial report for the half-year ended 30 June 2018 released with this document.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(1.24)	(0.67)

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):

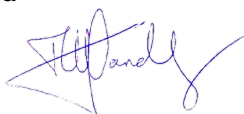
The financial statements were subject to a review by the auditors and the review report is attached as part of the Half-year Financial Report.

11. Attachments

Details of attachments (if any):

The Half-year Financial Report of LatAm Autos Limited for the half-year ended 30 June 2018 is attached.

12. Signed



Signed _____

Date: 24 August 2018

Tim Handley
Executive Chairman

LatAm Autos Limited

ABN 12 169 063 414

Half-year Financial Report - 30 June 2018

LatAm Autos Limited

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LatAm Autos Limited
Corporate directory
30 June 2018

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	LatAm Autos Mexico Avenida Homero 407 Mexico City, Mexico Tel: +52 55 4161 8830
Share register	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000
Auditor	Grant Thornton Collins Square, Tower 1 727 Collins Street Melbourne VIC 3008
Solicitors	Minter Ellison Level 40, Governor Macquarie Tower 1 Farrer Place Sydney NSW 2000 Grillo Higgins Lawyers Level 20, 31 Queen 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 2018

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 2018.

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 leading online car transaction market place with operations in Mexico, Ecuador and Peru. LatAm Autos is capitalising on the shift of automotive classifieds advertising to online channels, whilst providing ancillary services to car buyers such as finance, insurance and car tracking technology through its Motorfy brand.

Dividends

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

Review of operations

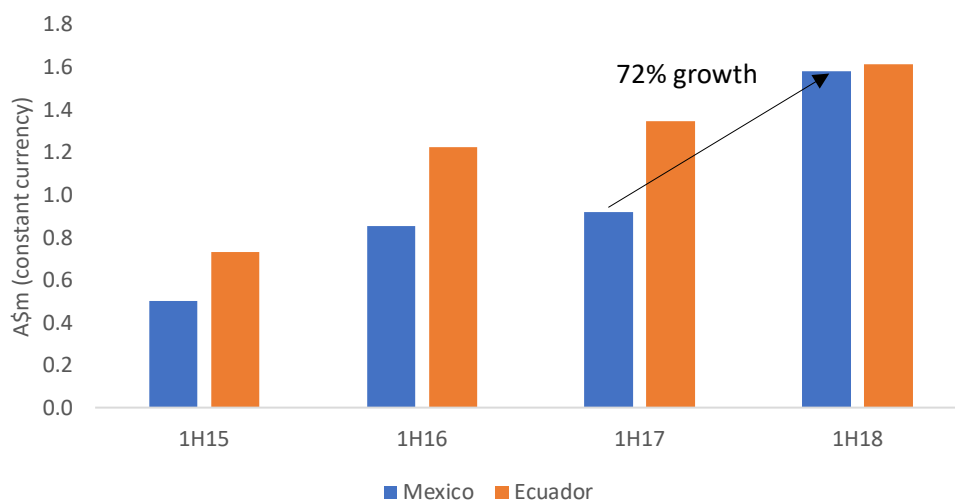
The loss for the Consolidated Entity after providing for income tax amounted to \$6,454,000 (30 June 2017: \$7,276,000).

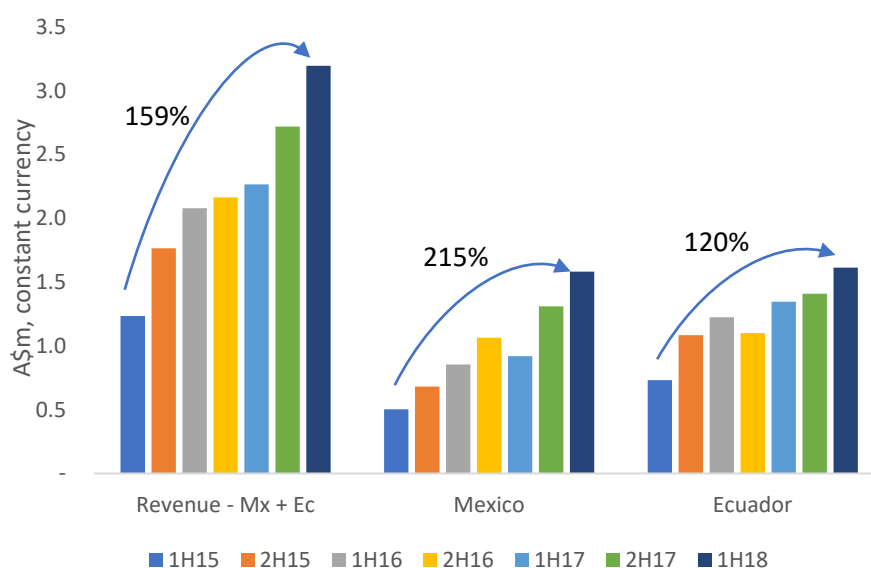
Financial Performance

On a continuing operations basis, the Company achieved sales of \$3,444,000 for 1H18 (1H17: \$2,705,000) and a loss after providing for income tax amounted to \$6,385,000 (1H17: \$5,951,000).

On a continuing operations basis, in Australian dollar terms (constant currency), revenue in Mexico and Ecuador grew 41% and the Company's EBITDA (excluding share based payments) loss decreased by 13% between 1H17 and 1H18. Cross Sell products contributed a material proportion to revenue growth in 1H18, and represented 30% of revenue. Management expects substantial continued growth in 2H18 from these revenue sources.

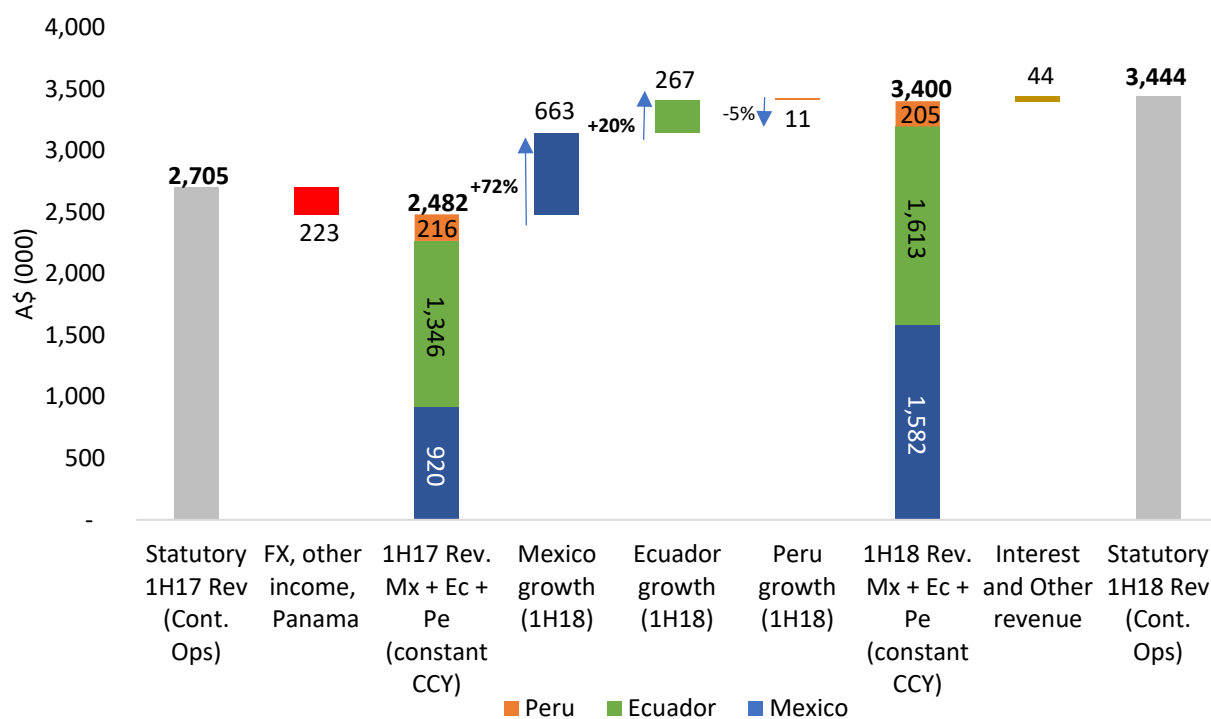
In local currency terms, revenues grew 72% in Mexico and 20% in Ecuador (1H18 compared to 1H17).



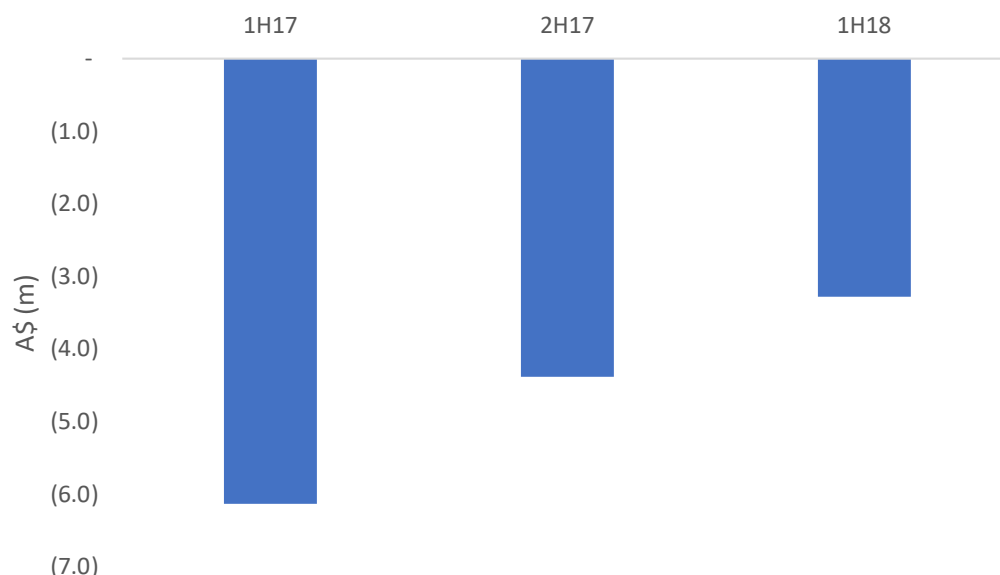


Revenue (Local currency millions)	1H17	1H18	Growth
Mexico (MXN)	13.8	23.8	72%
Ecuador (USD)	1.0	1.2	20%
Peru (PEN)	0.5	0.507	-5%

Reconciliation of growth rates in A\$ constant currency



Net operational cash outflows (net operating cashflows plus capex and less one-off outflows) continued to decrease, with a reduction of 47% between 1H18 and 1H17.



Achievements

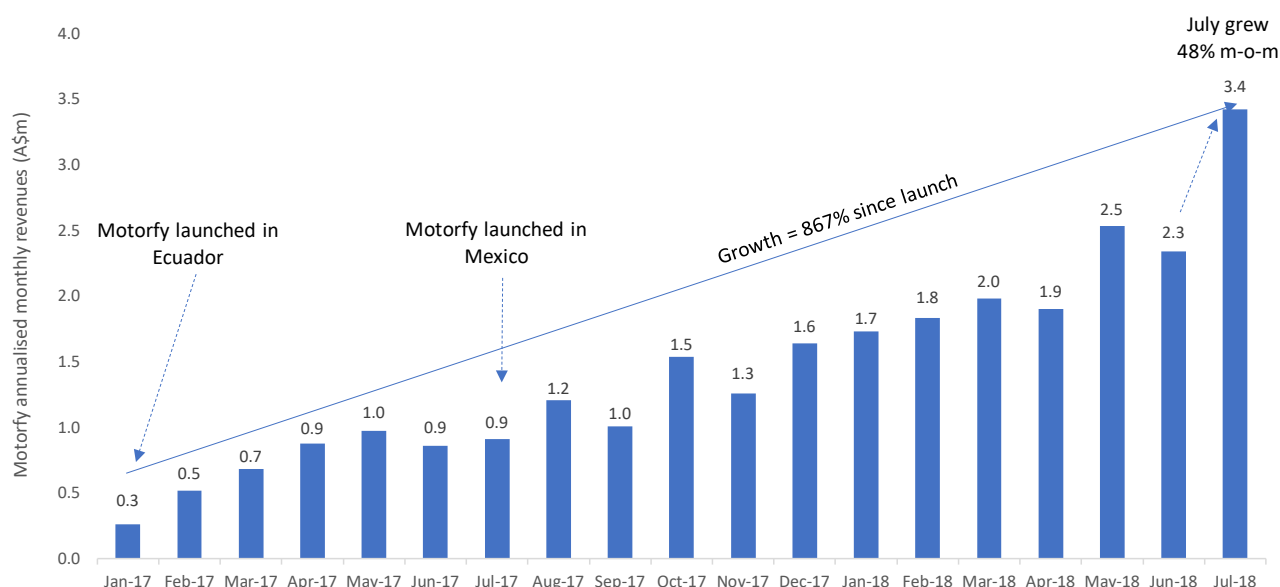
Through the first half of 2018 calendar year, the Company reached several key milestones, particularly in relation to Cross Sell products that position the Company's revenue model to capture substantial revenues that are associated with the car purchasing transaction itself (such as finance, insurance, telematics) and transitioning the business to a complete vehicle transaction marketplace.

1H18 revenue mix now comprises a large portion of revenues from Motorfy, whilst advertising revenue has declined substantially as a percentage of total revenue.

In addition, in January the company completed an oversubscribed capital raising of \$7.2m, through a combination of an institutional placement and share purchase plan.

Motorfy

The Company launched its Motorfy brand, that represents all Cross Sell revenue streams under the single banner being credit, insurance, GPS tracking, and more recently the mechanical warranty product. All Motorfy products are being integrated to the Motorfy app to be made available to dealer customers, facilitating a point of sale product suite for car dealers to access. Focus is on the dealer network due to higher conversion rates, and in turn a more profitable channel, and it is envisaged that once the product is optimised, it can also be released to consumers.

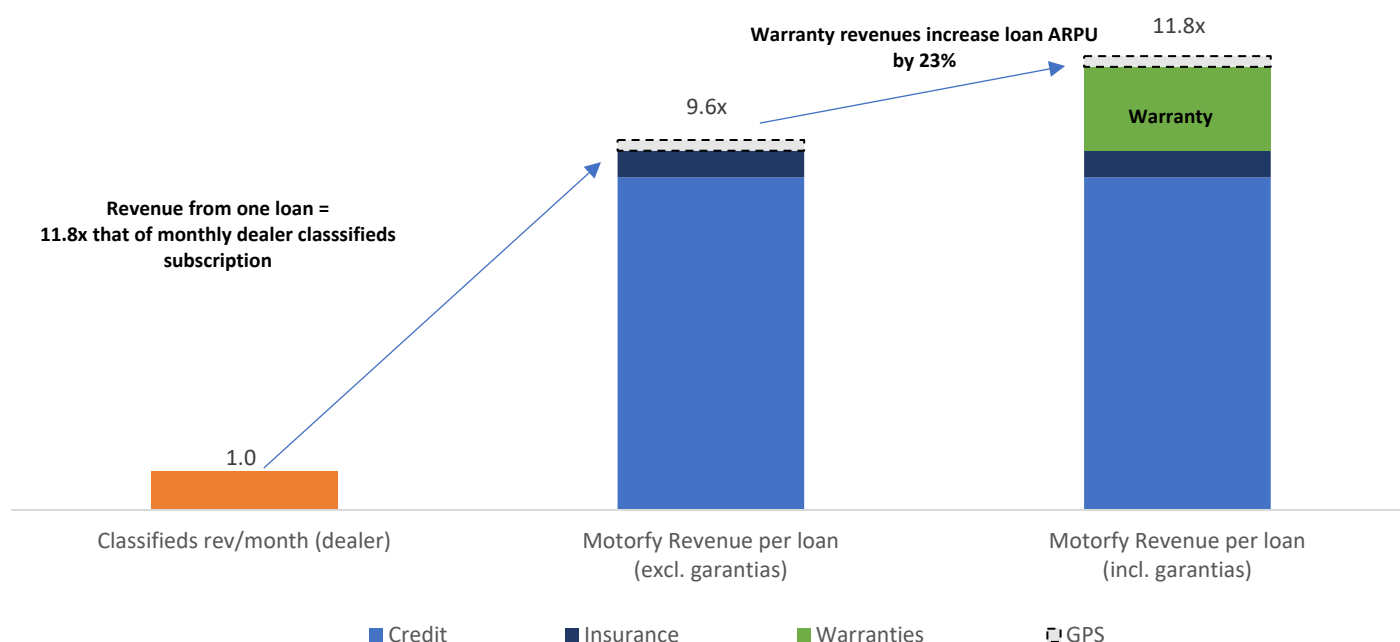


Motorfy Credit is a proprietary automotive finance product developed by LatAm Autos specifically for the Mexican and Ecuadorian markets. The Company facilitates a financial solution for used car buyers in Mexico and Ecuador, underwritten by leading financial institutions and LatAm Autos receives a combination of a fixed fee and a percentage of the overall loan value. In Mexico, our partner is Credito Real who have been a valuable partner in developing and making sure the product market fit is optimised. We received a total of MXN463m (A\$31m equivalent) of loan applications in 1H18 in Mexico alone.

With an estimated 6.4m used cars sold per year in Mexico alone, the Company is very excited about both the initial traction and the huge market opportunity that Motorfy Credit represents to the Company and how LatAm Autos' existing infrastructure and core strengths make.

In Ecuador, we have three financial partners providing a range of loan options including both secured and unsecured loans, for either used or new cars. Motorfy Credit has more recently started performing well, however the product required customisation in order to find the correct product market fit, hence representing a lower proportion of overall revenues.

In both Mexico and Ecuador, car loans are sold in conjunction with an insurance policy and GPS tracking device that provide additional incremental revenues on top of loan commissions.



Mechanical Warranty

In 2H18 the Company launched a mechanical warranty product through its dealership network. The company has partnered exclusively with SNG Group to offer "Motorfy Garantias" used vehicle extended warranties as part of the Motorfy Cross Sell product suite.

- Distribution is through the LAA dealer network as part of Motorfy Cross Sell product platform, or as a stand alone product
- The addressable market is significant, with ~6.4 million used car sales per annum in Mexico
- Vehicle quality concerns are a common issue in the Mexican used car market
- Net revenue to LAA of the sale of one extended warranty product increases total loan ARPU by 23% as a result
- This new extended warranty product release expands Latam's Vehicle Transaction Marketplace product offering

Classifieds

With the Company's focus on monetising its Dealer network in Mexico via Cross Sell products revenue growth of the Classified business was moderate. Growth was driven by increased number of Dealers.

In August 2018, the Company announced it had launched, in partnership with Chevrolet, the first online store for new cars in Ecuador. The online store will sell new GM branded vehicles such as Chevrolet Sail, Grand Vitara SZ, DMAX, Equinox, Cruze, Tracker, Captiva with exclusive benefits for online car buyers.

In Ecuador, Chevrolet has around 41% market share in terms of new cars sold each year. In 2017, approximately 100k new cars were sold in Ecuador. LAA is pleased to expand its Vehicle Transaction Marketplace through its relationship with GM, which introduces the new revenue model of direct sales on new vehicles. This is the first time that LAA has sold vehicles through its platform and represents an opportunity to participate in the actual car buying transaction. Initial phases of the partnership have been conducted on a fixed fee per campaign basis providing incremental revenues, however an opportunity exists to develop the revenue model into a percentage value of vehicle basis. Currently, the vast majority of revenues through LAA platforms currently relate to sale of used cars.

Significant changes in the state of affairs

On 17 January 2018 the Company announced the results of the Share Purchase Plan which was strongly supported by Eligible Shareholders and was oversubscribed with the Company receiving applications totalling \$1.67 million. In total the Company raised \$7.17 million in two tranches:

- Placement - \$5.5 million through a placement announced to ASX on 11 December 2017 to institutional and sophisticated investors in Australia and selected overseas jurisdictions; Senior Management and Directors (subject to shareholder approval at the General Meeting to be held on 9 March 2018). \$4.7 million of this was received in December 2017, with the balance of \$0.8 million (being the Directors portion of the placement) was received in March/April 2018 following the General Meeting.

- Share Purchase Plan - \$1.67 million through a Share Purchase Plan which closed on 12 January 2018.

On 4 April 2018 the Company issued 5,850,376 fully paid ordinary shares and 5,850,376 unlisted options to Directors in relation to their participation in the placement, following shareholder approval at the General Meeting held on 9 March 2018. The Company also issued 1,155,437 unlisted options, exercisable at \$0.17 (17 cents) each, expiring 31 December 2019 to various parties.

On 14 June 2018 the Company issued a total of 6,586,554 fully paid ordinary shares, with 6,379,498 issued at \$0.14 (14 cents) in relation to short term incentive bonus shares issued to employees (including Directors, following shareholder approval at the Company's Annual General Meeting held on 18 May 2018, and 207,056 fully paid ordinary shares to a consultant in consideration for services provided. The Company also issued 1,949,999 performance rights to employees (including Directors, following shareholder approval at the Company's Annual General Meeting held on 18 May 2018).

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

No matter or circumstance has arisen since 30 June 2018 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

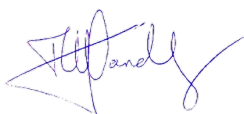
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain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



Tim Handley
Executive Chairman

24 August 2018

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 review of LatAm Autos Limited for the half-year ended 30 June 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 Audit Pty Ltd
Chartered Accountants



Michael Climpson
Partner – Audit & Assurance

Melbourne, 24 August 2018

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LatAm Autos Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2018

		Consolidated	
	Note	30 June 2018	30 June 2017
		\$'000	\$'000
Revenue from continuing operations	6	3,444	2,705
Expenses			
Commissions and rebates expenses		(647)	(483)
Printing costs		(296)	(303)
Advertising expenses		(1,370)	(1,467)
Employee benefits expense		(3,855)	(3,302)
Depreciation and amortisation expense		(978)	(971)
Impairment of assets		(121)	(83)
Operating lease expense		(238)	(249)
Professional and consulting fees expense		(592)	(621)
Travel expense		(112)	(144)
Technology expenses		(247)	(254)
Other expenses		(787)	(731)
Finance costs		(675)	(154)
Loss before income tax benefit from continuing operations		(6,474)	(6,057)
Income tax benefit		89	106
Loss after income tax benefit from continuing operations		(6,385)	(5,951)
Loss after income tax expense from discontinued operations	7	(69)	(1,325)
Loss after income tax benefit for the half-year attributable to the owners of LatAm Autos Limited		(6,454)	(7,276)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		1,288	(353)
Other comprehensive income for the half-year, net of tax		1,288	(353)
Total comprehensive income for the half-year attributable to the owners of LatAm Autos Limited		<u>(5,166)</u>	<u>(7,629)</u>
Total comprehensive income for the half-year is attributable to:			
Continuing operations		(5,106)	(6,365)
Discontinued operations		(60)	(1,264)
		<u>(5,166)</u>	<u>(7,629)</u>

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

LatAm Autos Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2018

	Note	Consolidated	
		30 June 2018	30 June 2017
		\$'000	\$'000
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of LatAm Autos Limited			
Basic earnings per share		(1.77)	(1.92)
Diluted earnings per share		(1.77)	(1.92)
Earnings per share for loss from discontinued operations attributable to the owners of LatAm Autos Limited			
Basic earnings per share		(0.02)	(0.43)
Diluted earnings per share		(0.02)	(0.43)
Earnings per share for loss attributable to the owners of LatAm Autos Limited			
Basic earnings per share		(1.79)	(2.35)
Diluted earnings per share		(1.79)	(2.35)

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

LatAm Autos Limited
Consolidated statement of financial position
As at 30 June 2018

		Consolidated	
		31 December	
	Note	30 June 2018	2017
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		5,651	6,789
Trade and other receivables		3,151	4,063
Other		325	301
Total current assets		<u>9,127</u>	<u>11,153</u>
Non-current assets			
Trade and other receivables		961	
Property, plant and equipment		376	352
Intangibles	8	22,509	21,811
Deferred tax		573	548
Total non-current assets		<u>24,419</u>	<u>22,711</u>
Total assets		<u>33,546</u>	<u>33,864</u>
Liabilities			
Current liabilities			
Trade and other payables		3,889	3,128
Provisions		863	993
Other		306	287
Total current liabilities		<u>5,058</u>	<u>4,408</u>
Non-current liabilities			
Deferred tax		576	612
Employee benefits		221	230
Convertible Note	9	9,792	9,122
Total non-current liabilities		<u>10,589</u>	<u>9,964</u>
Total liabilities		<u>15,647</u>	<u>14,372</u>
Net assets		<u>17,899</u>	<u>19,492</u>
Equity			
Issued capital	10	67,543	63,970
Other contributed equity		1,491	1,491
Reserves		1,238	(50)
Accumulated losses		<u>(52,373)</u>	<u>(45,919)</u>
Total equity		<u>17,899</u>	<u>19,492</u>

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

LatAm Autos Limited
Consolidated statement of changes in equity
For the half-year ended 30 June 2018

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	-	-	-	-	(7,276)	(7,276)
Other comprehensive income for the half-year, net of tax	-	-	-	(353)	-	(353)
Total comprehensive income for the half-year	-	-	-	(353)	(7,276)	(7,629)
<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>(39,245)</u>	<u>22,262</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 2018	63,970	1,491	394	(444)	(45,919)	19,492
Loss after income tax benefit for the half-year	-	-	-	-	(6,454)	(6,454)
Other comprehensive income for the half-year, net of tax	-	-	-	1,288	-	1,288
Total comprehensive income for the half-year	-	-	-	1,288	(6,454)	(5,166)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 10)	2,680	-	-	-	-	2,680
Share-based payments	893	-	-	-	-	893
Balance at 30 June 2018	<u>67,543</u>	<u>1,491</u>	<u>394</u>	<u>844</u>	<u>(52,373)</u>	<u>17,899</u>

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

LatAm Autos Limited
Consolidated statement of cash flows
For the half-year ended 30 June 2018

	Consolidated	
	30 June 2018	30 June 2017
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST and equivalents)	4,595	3,519
Payments to suppliers and employees (inclusive of GST and equivalents)	(7,689)	(9,436)
Legal fees for proposed equity raising	(37)	(231)
	<u>(3,131)</u>	<u>(6,148)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Payments for plant and equipment	(88)	(14)
Payments for intangibles	(325)	(578)
	<u>(413)</u>	<u>(592)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from issue of shares	2,464	-
Proceeds from Convertible Note	-	3,250
Transaction costs for the issue of Convertible Note	-	(53)
	<u>2,464</u>	<u>3,197</u>
Net cash from financing activities		
Net decrease in cash and cash equivalents	(1,080)	(3,543)
Cash and cash equivalents at the beginning of the financial half-year	6,789	4,915
Effects of exchange rate changes on cash and cash equivalents	(58)	(27)
	<u>5,651</u>	<u>1,345</u>
Cash and cash equivalents at the end of the financial half-year		

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

LatAm Autos Limited
Notes to the consolidated financial statements
30 June 2018

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 24 August 2018.

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 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 31 December 2017 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.

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of financial statements. The nature and effect of changes arising from these standards are summarised later in this section.

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 2018, the Consolidated Entity incurred a loss after tax of \$6,454,000 (2017: \$7,276,000) and had net cash outflows from operating activities of \$3,131,000 (2017: \$6,148,000). At 30 June 2018 the consolidated entity had net assets of \$17,899,000 (31 December 2017: \$19,492,000).

The Company's actual cash flow performance, and cash balance, in the half-year period ended 30 June 2018 has performed closely to budget. Over this period the Company has materially decreased net cash outflows in addition to increasing cash inflows. The Directors believe that The Company can pay its debts as they fall due.

New Accounting Standards and Interpretations adopted as at 1 January 2018

AASB 15: Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applied as at 1 January 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 January 2018 and comparatives are not restated. In accordance with the transition guidance, AASB 15 has only been applied to contracts that are incomplete as at 1 January 2018.

The standard require:

Note 2. Significant accounting policies (continued)

- contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract
- determination of the transaction price, adjusted for the time value of money excluding credit risk
- allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist
- recognition of revenue when each performance obligation is satisfied

Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be 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.

Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers, the significant judgements made in applying the guidance to those contracts, and any assets recognised from the costs to obtain or fulfil a contract with a customer.

AASB 9: Financial instruments

The consolidated entity has adopted AASB 9 from 1 January 2018. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and new general hedge accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139.

To assess for any expected credit losses under AASB 9, there is consideration around the probability of default upon initial recognition of the asset, and subsequent consideration as to whether there have been any significant increases in credit risk on an ongoing basis at each reporting period. To assess whether there is a significant increase in credit risk the Consolidated entity compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

In making this assessment, as far as available, the Consolidated entity considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the consolidated entity's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the consolidated entity's core operations.

In particular, as far as available, the following information is taken into account when assessing significant movements in credit risk:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- external credit rating
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the consolidated entity and changes in the operating results of the borrower
- macroeconomic information such as market interest rates and growth rates

The Consolidated entity assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Consolidated entity applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Note 2. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated entity for the half year ended 30 June 2018. The Consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated entity, are set out below.

AASB 16 Leases This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Consolidated entity.

Note 3. Changes in significant accounting policies

AASB 15: Revenue

The consolidated entity predominantly derives revenue from the sale of services. Significant contracts with customers depict various performance obligations, such as:

- banner advertising;
- dealership revenue;
- Individual listings revenue,
- financial product to used car buyers (underwritten by financial institutions and LatAm Autos receives a combination of a fixed fee and a percentage of the overall loan value);
- telematics solution consisting of an electronic device installed in vehicles which allows real-time tracking of location and other data services.
- auto insurance solution for used cars, and;
- mechanical guarantee product through its dealership network.

To determine whether to recognise revenue, the Consolidated entity follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Consolidated entity satisfies performance obligations by transferring the promised services to its customers.

The Consolidated entity has concluded that revenue from its sales should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the service. Therefore, the adoption of AASB 15 did not have an impact on the timing or the amount of revenue recognition.

Note 3. Changes in significant accounting policies (continued)

AASB 9: Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Consolidated entity becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)
- Equity instruments at fair value through other comprehensive income (FVTOCI)
- Debt instruments at fair value through other comprehensive income (FVTOCI)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The consolidated entity's trade and most other receivables fall into this category of financial instruments that were previously classified as loans and receivables under AASB 139.

Financial assets at fair value through profit or loss (FVTPL)

All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments.

Investments in equity instruments fall into this category unless the Consolidated entity irrevocably elects at inception to account as Equity FVTOCI.

Equity instruments at fair value through other comprehensive income (Equity FVTOCI)

Investments in equity instruments that are not held for trading are eligible for an irrevocable election at inception to be measured at FVTOCI. Under this category, subsequent movements in fair value are recognised in other comprehensive income and are never reclassified to profit or loss. Dividend income is taken to profit or loss unless the dividend clearly represents return of capital.

Debt instruments at fair value through other comprehensive income (Debt FVTOCI)

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of collecting the contractual cash flows and selling the assets are accounted for at FVTOCI.

Any gains or losses recognised in OCI will be recycled upon derecognition of the asset. This category includes bonds that were previously classified as 'available-for-sale' under AASB 139.

The Consolidated entity does not have any assets in the categories FVTPL, Equity FVTOCI and Debt FVTOCI.

Impairment of financial assets

Note 3. Changes in significant accounting policies (continued)

AASB 9's new forward looking impairment model applies to the Consolidated entity's debt instruments held at amortised cost. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

Trade and other receivables and contract assets

The Consolidated entity uses a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Consolidated entity uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Consolidated entity's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the relevant accounting policy is disclosed below.

The Consolidated entity's financial liabilities include trade and other payables and convertible note.

Financial liabilities are initially measured at fair value, and, where and to the extent applicable, adjusted for transaction costs unless the Consolidated entity designate a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

Note 4. Critical accounting judgements, estimates and assumptions

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management.

The judgements, estimates and assumptions applied in these interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Consolidated entity's last annual financial statements for the year ended 31 December 2017.

Note 5. 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.

Note 5. Operating segments (continued)

Intersegment transactions

There were no material intersegment transactions during the reporting period.

Major customers

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

Consolidated - half year ended 30 June 2018

	Argentina \$'000	Ecuador \$'000	Panama \$'000	Mexico \$'000	Peru \$'000	Total reportable segments \$'000
Revenue						
Sales to external customers	9	1,613	-	1,582	205	3,409
Total sales revenue	9	1,613	-	1,582	205	3,409
Operating expenses	(73)	(1,521)	(7)	(3,259)	(252)	(5,112)
EBITDA	(64)	92	(7)	(1,677)	(47)	(1,703)

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	(1,463)	(1,132)	(93)	(3,000)	(313)	(6,001)
EBITDA	(1,201)	275	(52)	(2,040)	(96)	(3,114)

*The segment report above has been prepared on a local statutory basis. Mexico is invoiced for various expenses of other countries for operational reasons. In 2018 Mexico had approximately \$336,000 worth of operating expenses that relate to other countries that the Company operates in. If this amount was to be reallocated Mexico's operating expenses would decrease by approximately \$336,000 and other countries' operating expenses would increase by the same value.

Note 5. Operating segments (continued)

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:

	Consolidated	
	30 June 2018	30 June 2017
	\$'000	\$'000
Revenue		
Revenue from contracts with customers	3,409	2,887
Interest income	16	5
Other revenue	37	75
Group revenues	3,461	2,967
Profit or loss		
Total reportable segment EBITDAs	(1,703)	(3,114)
Interest income	16	5
Other revenue	37	75
Foreign exchange loss	30	(250)
Financial expenses	(678)	(175)
Depreciation and amortisation expenses	(978)	(979)
Share-based payments expense	(697)	(269)
Impairment	(121)	(127)
Other non-reportable segment expenses	(2,449)	(2,548)
Income tax (expense)/benefit	89	106
Group loss after income tax expense/benefit	(6,454)	(7,276)

Geographical information

	Sales to external customers		Geographical non-current assets	
	30 June 2018	30 June 2017	30 June 2018	31 December 2017
	\$'000	\$'000	\$'000	\$'000
Argentina	9	262	-	-
Ecuador	1,613	1,407	13,417	13,070
Panama	-	41	8	6
Mexico	1,582	960	7,607	7,267
Peru	205	217	1,852	1,824
	3,409	2,887	22,884	22,167

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 6. Revenue

	Consolidated	
	30 June 2018	30 June 2017
	\$'000	\$'000
From continuing operations		
<i>Revenue from contracts with customers</i>		
Sales revenue	3,400	2,625
<i>Other revenue</i>		
Interest revenue	16	5
Other revenue	28	75
	44	80
Revenue from continuing operations	3,444	2,705

Note 7. Discontinued operations

Description

The Argentinian and Panamanian operations were discontinued in 2017 with the offices being closed and those companies no longer having marketing or employee expenses.

Financial performance information

	Consolidated	
	30 June 2018	30 June 2017
	\$'000	\$'000
Revenue	17	262
Magazine costs	-	(89)
Marketing expenses	-	(235)
Employee benefits expense	(4)	(768)
Depreciation and amortisation expense	-	(8)
Operating lease expense	-	(74)
Professional and consulting fees expense	(73)	(224)
Other expenses	(6)	(168)
Finance costs	(3)	(21)
Total expenses	(86)	(1,587)
Loss before income tax expense	(69)	(1,325)
Income tax expense	-	-
Loss after income tax expense from discontinued operations	(69)	(1,325)

June 2018 revenues include sales to external customers \$9,217 and other revenues \$8,163.

LatAm Autos Limited
Notes to the consolidated financial statements
30 June 2018

Note 7. Discontinued operations (continued)

Cash flow information

	Consolidated	Consolidated
	30 June 2018	30 June 2017
	\$'000	\$'000
Net cash used in operating activities	(78)	(1,077)
Net cash used in investing activities	-	(1)
Net decrease in cash and cash equivalents from discontinued operations	<u>(78)</u>	<u>(1,078)</u>

Note 8. Intangibles

	Consolidated	Consolidated
	30 June 2018	31 December
	\$'000	2017
	\$'000	\$'000
Goodwill - at cost	18,064	17,247
Software - at cost	6,730	6,104
Less: Accumulated amortisation - software	(4,304)	(3,535)
	<u>2,426</u>	<u>2,569</u>
Domain names and trademarks - at cost	2,624	2,503
Less: Accumulated amortisation - Domain names and trademarks	(624)	(537)
	<u>2,000</u>	<u>1,966</u>
Content - at cost	139	133
Less: Accumulated amortisation - Content	(120)	(104)
	<u>19</u>	<u>29</u>
	<u><u>22,509</u></u>	<u><u>21,811</u></u>

Reconciliations

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

	Content	Domain names and trademarks	Software	Goodwill	Total
Consolidated	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2018	29	1,966	2,569	17,247	21,811
Additions	-	-	255	-	255
Amortisation expense	(17)	(84)	(795)	-	(896)
Exchange differences	7	118	397	817	1,339
Balance at 30 June 2018	<u>19</u>	<u>2,000</u>	<u>2,426</u>	<u>18,064</u>	<u>22,509</u>

LatAm Autos Limited
Notes to the consolidated financial statements
30 June 2018

Note 8. Intangibles (continued)

	Consolidated	31 December
	30 June 2018	2017
	\$'000	\$'000
Demotores.com.mx & Seminuevos.com (Mexico)	6,796	6,523
PatioTuerca.com (Ecuador, Panama, Bolivia)	9,626	9,128
Todoautos.pe (Peru)	1,642	1,596
	<u>18,064</u>	<u>17,247</u>
Goodwill allocation at period end	<u>18,064</u>	<u>17,247</u>

Note 9. Convertible Note

	Consolidated	31 December
	30 June 2018	2017
	\$'000	\$'000
Convertible note at amortised cost	<u>9,792</u>	<u>9,122</u>

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. 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	31 December
	30 June 2018	2017
	\$'000	\$'000
Fair value of notes to be issued	10,000	10,000
Other equity securities - value of convertible rights	<u>(1,450)</u>	<u>(1,450)</u>
	8,550	8,550
Expenses associated with the liability component	(326)	(326)
Interest expense *	1,568	898
Non-current liability	<u>9,792</u>	<u>9,122</u>

*Interest expense is calculated by applying the effective interest rate of 16.2% to the liability component.

Note 10. Issued capital

	Consolidated	31 December	31 December
	30 June 2018	2017	2017
	Shares	Shares	\$'000
Ordinary shares - fully paid	<u>370,661,214</u>	<u>344,746,954</u>	<u>67,543</u>
			<u>63,970</u>

LatAm Autos Limited
Notes to the consolidated financial statements
30 June 2018

Note 10. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 January 2018	344,746,954		63,970
Issue of placement shares	12 January 2018	855,437	\$0.140	120
Issue of shares for consulting services rendered	12 January 2018	195,631	\$0.112	22
Issue of shares for consulting services rendered	12 January 2018	491,001	\$0.112	55
Issue of placement shares	19 January 2018	11,935,261	\$0.140	1,671
Issue of placement shares	4 April 2018	5,850,376	\$0.140	819
Share issue to employees	14 June 2018	6,379,498	\$0.140	893
Issue of shares for consulting services rendered	14 June 2018	207,056	\$0.132	27
Costs of issuing shares		-	-	(34)
Balance	30 June 2018	<u>370,661,214</u>		<u>67,543</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 11. Events after the reporting period

No matter or circumstance has arisen since 30 June 2018 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.

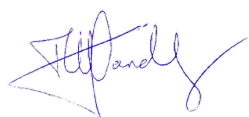
LatAm Autos Limited
Directors' declaration
30 June 2018

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 Consolidated Entity's financial position as at 30 June 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



Tim Handley
Executive Chairman

24 August 2018

Independent Auditor's Review Report

To the Members of LatAm Autos Limited

Report on the review of 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 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 LatAm Autos Limited does not give a true and fair view of the financial position of the Group as at 30 June 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 2 in the financial report, which outlines that for the half-year ended 30 June 2018, the Group has incurred a loss after tax of \$6.5m and net operating cash outflows of \$3.1m. 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 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 30 June 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 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 *Corporations Act 2001*.



Grant Thornton Audit Pty Ltd
Chartered Accountants



Michael Climpson
Partner – Audit & Assurance

Melbourne, 24 August 2018