

# Linus Technologies Limited

ABN 84 149 796 332

## Appendix 4E

Preliminary Final Report

30 June 2019

### Reporting period

Report for the current period is for the year ended 30 June 2019.

Prior corresponding period information is for the year ended 30 June 2018.

### Results for announcement to the market

	2019	2018	Increase/(decrease) over previous corresponding period	
	\$	\$	\$	%
Revenue from ordinary activities	164,254	91,142	73,112	80.2%
Revenue from ordinary activities excluding interest	54,624	56,789	(2,165)	3.8%
Profit/(Loss) from ordinary activities after tax attributable to members	(11,557,874)	(10,714,098)	(843,776)	(7.9%)
Net profit/(loss) for the period attributable to members	(11,557,874)	(10,714,098)	(843,776)	(7.9%)

### Dividends

No dividends were paid or declared during the financial period and it is not proposed to pay dividends.

No dividends have previously been declared or paid in prior financial periods and there are no dividend reinvestment plans in place.

### Details of entities over which control has been gained during the period

None.

### Details of entities over which control has been lost during the period

None.

## Financial statements and Explanation of results

The loss for the year ended 30 June 2019 after income tax expense amounted to \$11,557,874. This loss includes non-cash share based payments expense of \$587,461 and non-cash amortisation charges of \$540,000.

The financial results and net cash outflow for Financial Year 2019 reflect the investments undertaken by Linius in developing and launching key operational assets to position the company for future growth

Over that period, the Company has acted on its strategy to:

- Invest in and launched the Linius SaaS platform - Linius Video Services ('LVS')
- Establish strong relationships with channel partners, including AWS and Microsoft
- Develop and launched the SaaS marketplace with third parties already investing and launching their own technology on the Linius backbone
- Invest in and secured Proof of concepts ('POCs')

This investment in people and process will further enable the Company to capitalize on growing global market opportunities for Linius. The Company has earned income from its first customer, along with interest income and a government grant during the year. Expenses for the period consist of administrative expenses, software development expenses, director expenses, personnel expenses, consultant expenses, financial and compliance expenses, sales, marketing and promotional expenses, patent expenses, legal expenses, travel and accommodation expenses, share based payments expense and intellectual property amortisation expense.

The financial statements for the period, further information and brief explanation of the financial results for the period and other information required under Appendix 4E are contained in this document.

## Net tangible asset backing

	Current period	Previous corresponding period
Net tangible assets per ordinary security	0.2 cents	1.08 cents

## Events after the reporting period

None.

## Audit

The results reported are in the process of an independent audit.

Signed:



Giuseppe Rinarelli

Company secretary

30 August 2019

Melbourne



**LINIUS TECHNOLOGIES LIMITED**

**ACN 149 796 332**

**APPENDIX 4E**

**FINANCIAL STATEMENTS**

**2019**

---

# LINIUS TECHNOLOGIES LIMITED

## APPENDIX 4E 2019

### CONTENTS

	PAGE
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME.....	1
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	2
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY.....	3
CONSOLIDATED STATEMENT OF CASH FLOWS.....	4
NOTES TO THE FINANCIAL STATEMENTS.....	5

# LINIUS TECHNOLOGIES LIMITED

## APPENDIX 4E 2019

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	Group 2019 \$	2018 \$
Revenue	2	164,254	91,142
Administrative expenses		(674,801)	(557,157)
Employee benefit expenses		(684,328)	(342,936)
Amortisation expense		(540,000)	(540,000)
Consultant expenses		(3,092,616)	(3,239,727)
Depreciation expense		(9,081)	(7,021)
Share-based payments expense		(587,461)	(1,358,869)
Financial and compliance expenses		(282,560)	(310,154)
Software development expenses		(4,336,239)	(2,991,301)
Marketing and promotional expenses		(731,310)	(713,903)
Patent costs		(42,160)	(60,535)
Legal expenses		(161,856)	(108,701)
Travel and accommodation expenses		(579,716)	(574,936)
Loss before income tax		(11,557,874)	(10,714,098)
Income tax expense	4	-	-
Loss for the year		(11,557,874)	(10,714,098)
Other comprehensive loss			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		-	-
Total comprehensive loss for the year		(11,557,874)	(10,714,098)
Basic loss per share (cents per share)	7	(1.2)	(1.3)
Diluted loss per share (cents per share)	7	(1.2)	(1.3)

The accompanying notes form part of the financial report

# LINIUS TECHNOLOGIES LIMITED

## APPENDIX 4E 2019

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	Group 2019 \$	2018 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	2,298,200	10,766,028
Other receivables	9	286,389	265,192
<b>TOTAL CURRENT ASSETS</b>		<b>2,584,589</b>	<b>11,031,220</b>
<b>NON-CURRENT ASSETS</b>			
Intellectual property	10	3,465,000	4,005,000
Property, plant and equipment		34,929	19,713
<b>TOTAL NON-CURRENT ASSETS</b>		<b>3,499,929</b>	<b>4,024,713</b>
<b>TOTAL ASSETS</b>		<b>6,084,518</b>	<b>15,055,933</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	529,856	928,944
Employee Provisions		53,128	25,041
<b>TOTAL CURRENT LIABILITIES</b>		<b>582,984</b>	<b>953,985</b>
<b>TOTAL LIABILITIES</b>		<b>582,984</b>	<b>953,985</b>
<b>NET ASSETS</b>		<b>5,501,534</b>	<b>14,101,948</b>
<b>EQUITY</b>			
Issued capital	12	32,381,556	30,047,557
Share based payments reserve		4,986,621	4,363,160
Accumulated losses		(31,866,643)	(20,308,769)
<b>TOTAL EQUITY</b>		<b>5,501,534</b>	<b>14,101,948</b>

The accompanying notes form part of the financial report

# LINIUS TECHNOLOGIES LIMITED

## APPENDIX 4E 2019

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

Group	Issued Capital	Share Based Payments Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance 1 July 2017	12,575,410	2,062,705	(9,594,671)	5,043,444
Total comprehensive loss:				
Loss for the year	-	-	(10,714,098)	(10,714,098)
Other comprehensive loss	-	-	-	-
Total comprehensive loss	-	-	(10,714,098)	(10,714,098)
Transactions with owners of the Company:				
Shares and options issued during the year (net of capital raising costs)	17,472,147	-	-	17,472,147
Share-based payments	-	2,300,455	-	2,300,455
Total transactions with owners of the Company	17,472,147	2,300,455	-	19,772,602
Balance at 30 June 2018	30,047,557	4,363,160	(20,308,769)	14,101,948
Balance 1 July 2018	30,047,557	4,363,160	(20,308,769)	14,101,948
Total comprehensive loss:				
Loss for the year	-	-	(11,557,874)	(11,557,874)
Other comprehensive loss	-	-	-	-
Total comprehensive loss	-	-	(11,557,874)	(11,557,874)
Transactions with owners of the Company:				
Shares and options issued during the year (net of capital raising costs)	2,333,999	-	-	2,333,999
Share-based payments	-	623,461	-	623,461
Total transactions with owners of the Company	2,333,999	623,461	-	2,957,460
Balance at 30 June 2019	32,381,556	4,986,621	(31,866,643)	5,501,534

The accompanying notes form part of the financial report

# LINIUS TECHNOLOGIES LIMITED

## APPENDIX 4E 2019

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	Group 2018
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers		(10,956,994)	(8,620,815)
Other income received		36,091	56,789
Interest received		107,373	19,661
Net cash used in operating activities	13	(10,813,530)	(8,544,365)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant & equipment		(24,297)	(12,610)
Net cash provided by /(used in) investing activities		(24,297)	(12,610)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		2,549,999	19,343,000
Capital raising costs paid		(180,000)	(979,267)
Net cash inflows from financing activities		2,369,999	18,363,733
Net increase/(decrease) in cash held		(8,467,828)	9,806,758
Cash at beginning of financial year		10,766,028	959,270
Cash at end of financial year	8	2,298,200	10,766,028

The accompanying notes form part of the financial report



# LINIUS TECHNOLOGIES LIMITED

## APPENDIX 4E 2019

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### NOTE 1: BASIS OF PREPARATION

These preliminary financial statements and notes comprise the information required as Appendix 4E, under ASX listing rule 4.3A for Linius Technologies Limited and its controlled entities ("the Group"), a listed Australian company incorporated in Australia. This report is based on financial statements that are in the process of being audited.

##### Basis of Preparation

The preliminary financial report does not include all of the notes of the type normally included in an annual financial report. Accordingly, it should be read in conjunction with the Annual Report for the period ended 30 June 2018 and the financial report for the six months ended 31 December 2018 and any public announcements made by the company in accordance with the continual disclosure requirements of the Corporations Act 2001. This preliminary report has been prepared in accordance with the measurement and recognition requirements of the Australian Accounting Standards, Accounting Interpretations and the Corporations Act 2001.

The financial statements comprise the consolidated financial statements for the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with AIFRS ensures that the financial report and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report was authorised for issue on 30 August 2019.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

##### *Going Concern*

The financial statements have been prepared under the historical cost convention, applying the going concern basis of accounting. The directors are confident in the continuing support from the existing shareholders and the ability to attract new investors to fund the Group's future finance requirements. Further details of the going concern basis of accounting will be provided in the Group's annual report for the year ended 30 June 2019.

#### NOTE 2: REVENUE

	Group	
	2019	2018
	\$	\$
Revenue	14,534	-
Other revenue:		
Government grants	40,090	56,789
Interest received	109,630	34,353
Total revenue	164,254	91,142

# LINIUS TECHNOLOGIES LIMITED

## APPENDIX 4E 2019

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### NOTE 3: LOSS FOR THE YEAR

	Group	
	2019	2018
	\$	\$
Other expenses:		
Occupancy costs	133,830	98,570

#### NOTE 4: INCOME TAX EXPENSE

	Group	
	2019	2018
	\$	\$
(a) Income tax expense		
Current tax benefit	(3,007,849)	(2,556,599)
Deferred tax – origination and reversal of temporary differences	(7,724)	(6,307)
Deferred tax assets not recognised	3,015,573	2,562,906
	-	-
(b) Reconciliation of income tax expense to prima facie tax payable		
The prima facie tax payable on profit/loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on operating loss at 27.5%	(3,178,415)	(2,946,377)
Add / (Less)		
Tax effect of:		
Share based payments	161,552	373,689
Other non-allowable items	1,290	9,782
Unused tax losses not recognised as deferred assets	3,015,573	2,562,906
Income tax attributable to operating loss	-	-
(c) Unrecognised deferred tax assets		
Unused Australian tax losses for which no deferred tax asset has been recognised	6,802,152	3,786,579
Temporary differences not recognised	14,610	6,886
Total	6,816,762	3,793,465

# LINIUS TECHNOLOGIES LIMITED

## APPENDIX 4E 2019

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### NOTE 4: INCOME TAX expense (continued)

- i. The Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- ii. The Group continues to comply with conditions for deductibility imposed by law; and
- iii. No changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.
- Group

#### NOTE 5 : KEY MANAGEMENT PERSONNEL

The total of remuneration paid to KMP of the Consolidated Group during the period are as follows:

	Group	
	2019	2018
	\$	\$
Short-term employee benefits	652,755	541,669
Share-based payments	130,249	461,235
	783,004	1,002,904

#### NOTE 6: AUDITOR'S REMUNERATION

	Group	
	2019	2018
	\$	\$
Remuneration of the auditor for services provided to the Group and the Parent during the year:		
— audit and review of the financial report		
KPMG	82,000	82,000
— taxation advisory		
KPMG	27,232	4,410
	109,232	86,410

# LINIUS TECHNOLOGIES LIMITED

## APPENDIX 4E 2019

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### NOTE 7: EARNINGS/LOSS PER SHARE

	Group	
	2019	2018
	\$	\$
a. Reconciliation of earnings to profit or loss		
Loss used to calculate basic EPS and diluted EPS	(11,557,874)	(10,714,098)
	No.	No.
b. Weighted average number of ordinary shares outstanding during the period used in calculating basic and diluted EPS	953,465,552	811,545,392

Potential ordinary shares comprising 115,645,850 options (2018: 229,093,350) were excluded in the calculation of diluted EPS given they are antidilutive.

#### NOTE 8: CASH AND CASH EQUIVALENTS

	Group	
	2019	2018
	\$	\$
Cash at bank and in hand	2,298,200	10,766,028

The effective interest rate on short-term bank deposits was varying between 1.25% to 2.55%.

#### *Reconciliation of cash*

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	2,298,200	10,766,028
---------------------------	-----------	------------

#### NOTE 9: OTHER RECEIVABLES

	Group	
	2019	2018
	\$	\$
CURRENT		
Accounts receivable	14,534	-
GST receivable	70,323	84,861
Prepaid expenses and other receivables	201,532	180,331
	286,389	265,192

# LINIUS TECHNOLOGIES LIMITED

## APPENDIX 4E 2019

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### NOTE 10: INTELLECTUAL PROPERTY

In the 2016 year, the Group acquired the intellectual property associated with the Linius technology from an unrelated party. The intellectual property includes patents, copyright, confidential information and trademarks. In accordance with accounting standards and the Group accounting policies this asset is treated as having a finite life and is being amortised over 10 years.

	2019	Group	2018
	\$		\$
Intellectual property at cost	5,400,000		5,400,000
Accumulated amortisation	(1,935,000)		(1,395,000)
	3,465,000		4,005,000

The directors have assessed the value and useful life of the intellectual property at balance date.

The cost of the intellectual property was established upon the purchase of the intellectual property through a third party transaction during the financial period ended 30 June 2016. The value of the intellectual property was further validated through the reverse takeover process and capital raising undertaken by Linius Technologies Limited (Linius) in April/May 2016. During this process an independent report was commissioned, which gave the directors comfort that the intellectual property purchased was covered by valid patents, trademarks and copyright.

The directors note that the intellectual property is at an early stage in its commercial life, with the associated technology recently commencing commercialisation. The value and lifespan of the owned intellectual property continues to be enhanced by further patent registrations in new jurisdictions across the world and through continued development of the technology associated with the intellectual property.

The directors have currently assessed the useful life of the intellectual property as being 10 years. The directors consider that a 10 year useful life is reasonable and appropriate and have amortised the value of intellectual property at balance date on that basis.

Further details regarding impairment testing will be provided in the Group's annual report for the year ended 30 June 2019.

#### NOTE 11: TRADE AND OTHER PAYABLES

	2019	Group	2018
	\$		\$
Trade payables*	431,948		702,224
Sundry payables and accrued expenses	97,908		226,720
	529,856		928,944

\*Terms of trade are in line with normal commercial terms (usually 30 to 60 days)

# LINIUS TECHNOLOGIES LIMITED

## APPENDIX 4E 2019

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### NOTE 12: ISSUED CAPITAL AND RESERVES

	Group	
	\$ (Legal subsidiary)	Number (Legal parent)
Issued Capital		
2019		
Opening balance 1 July 2018	30,047,557	935,597,548
Issue of shares through private placement (net of costs)*	2,283,999	71,428,572
Issue of shares as share based payment to consultants**	-	5,000,000
Issue of shares on conversion of unlisted options	50,000	1,000,000
At reporting date	32,381,556	1,013,026,120
The Company has issued share capital amounting to 1,013,026,120 ordinary shares of no par value.		
2018		
Opening balance 1 July 2017	12,575,410	679,190,880
Issue of shares through private placement (net of costs)*	16,579,147	224,166,668
Issue of shares as share based payment to corporate advisor	50,000	1,000,000
Conversion of performance shares	-	20,000,000
Issue of shares on conversion of listed options	843,000	11,240,000
At 30 June 2018	30,047,557	935,597,548

\*Net of \$36,000 (2018: \$941,586) of share based payment transaction costs and \$180,000 of other transaction costs.

\*\*Net of \$272,500 of share based payments.

# LINIUS TECHNOLOGIES LIMITED

## APPENDIX 4E 2019

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### NOTE 12: ISSUED CAPITAL AND RESERVES (CONTINUED)

Ordinary shares	Legal parent entity	
	2019 No.	2018 No.
Opening balance	935,597,548	679,190,880
Fully paid shares issued during the period		
– July 2017 (issue of shares by private placement)	-	30,000,000
– October 2017 (issue of shares by private placement)	-	85,000,000
– December 2017 (issue of shares by private placement)	-	5,000,000
– December 2017 (share based payment to director)	-	20,000,000
– December 2017 (issue of shares on exercise of unlisted options)	-	3,500,000
– January 2018 (issue of shares on exercise of unlisted options)	-	6,340,000
– February 2018 (issue of shares on exercise of unlisted options)	-	500,000
– March 2018 (issue of shares by private placement)	-	81,250,000
– March 2018 (issue of shares on exercise of unlisted options)	-	900,000
– March 2018 (share based payment of consulting fees)	-	1,000,000
– May 2018 (issue of shares by private placement)	-	2,083,334
– June 2018 (issue of shares by private placement)	-	20,833,334
– August 2018 (share based payment of consulting fees)	2,500,000	-
– February 2019 (share based payment of consulting fees)	1,250,000	-
– March 2019 (issue of shares on exercise of unlisted options)	1,000,000	-
– April 2019 (issue of shares by private placement)	71,428,572	-
– June 2019 (share based payment of consulting fees)	1,250,000	-
At reporting date	1,013,026,120	935,597,548

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. All ordinary shares rank equally with regard to the Company's residual assets

# LINIUS TECHNOLOGIES LIMITED

## APPENDIX 4E 2019

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### NOTE 12: ISSUED CAPITAL AND RESERVES (CONTINUED)

##### NATURE AND PURPOSE OF RESERVES

###### Share-Based Payments Reserve

This reserve is used to record the equity value of share based payment expenses incurred as consideration for employee and consultant services.

##### Capital risk management

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

Due to the nature of the Group's activities, being an early stage technology company, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet research and development of software, early stage business commercialisation initiatives and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 30 June 2019 is as follows:

	Group	
	2019	2018
	\$	\$
Cash and cash equivalents	2,298,200	10,766,028
Trade and other receivables	286,389	265,192
Trade and other payables and other liabilities	(582,983)	(953,985)
Working capital position	2,001,606	10,077,235



# LINIUS TECHNOLOGIES LIMITED

## APPENDIX 4E 2019

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### NOTE 13: CASH FLOW INFORMATION

	Group	
	2019	2018
	\$	\$
Loss after income tax	(11,557,874)	(10,714,098)
Cash flows excluded from loss attributable to operating activities:		
Non cash items		
- Depreciation	9,081	7,021
- Amortisation	540,000	540,000
- Share-based payments expense	587,461	1,358,869
- Shares issued for payment of trade payable	-	50,000
Changes in assets and liabilities:		
- Increase/(decrease) in provisions	28,087	22,936
- Increase/(decrease) in trade payables and accruals	(399,088)	378,624
- (Increase)/decrease in trade receivables and prepayments	(21,197)	(187,717)
Cash flows used in operating activities	(10,813,530)	(8,544,365)

#### NOTE 14: OPERATING SEGMENTS

##### Segment Information

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group's operating segments have been determined with reference to the monthly management accounts used by the Chief Operating Decision Maker to make decisions regarding the Company's operations and allocation of working capital. Due to the size and nature of the Group, the Board as a whole has been determined as the Chief Operating Decision Maker.

Based on the quantitative thresholds included in AASB 8, there is only one reportable segment, being the development and commercialisation of computer software in the Australasian region.

The revenues and results of this segment are those of the Group as a whole and are set out in the consolidated statement of profit or loss and other comprehensive income. The segment assets and liabilities of this segment are those of the Group and are set out in the consolidated statement of financial position.

# LINIUS TECHNOLOGIES LIMITED

## APPENDIX 4E 2019

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

#### NOTE 15: PARENT ENTITY DISCLOSURES

The following detailed information is related to the legal parent entity Linius Technologies Limited as at 30 June 2019.

Financial position	2019	2018
	\$	\$
Assets		
Current assets	2,175,132	10,522,465
Non-current assets	37,139,948	28,081,250
Total assets	39,315,080	38,603,715
Liabilities		
Current liabilities	111,167	144,223
Total liabilities	111,167	144,223
Equity		
Issued capital	48,022,511	45,688,511
Option premium reserve	36,462	36,462
Share based payments reserve	4,986,621	4,363,160
Accumulated losses	(13,841,681)	(11,628,641)
Total equity	39,203,913	38,459,492
Financial performance	2019	2018
	\$	\$
Loss for the year	2,313,040	2,798,327
Total comprehensive loss	2,313,040	2,798,327