Adveritas

2019 Annual Report

CORPORATE DIRECTORY

DIRECTORS

Mr Stephen Belben
Non-Executive Chairman

Mr Mathew Ratty
Managing Director and Chief Executive Officer

Mr Renaud Besnard
Non-Executive Director

Mr Mark McConnell
Non-Executive Director

Mr Andrew Stott
Non-Executive Director

COMPANY SECRETARY

Ms Susan Hunter

PRINCIPAL AND REGISTERED OFFICE

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Bentley WA 6102

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SHARE REGISTER

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Level 11, 172 St Georges Terrace
Perth WA 6000

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SECURITIES EXCHANGE LISTING

Adveritas Limited shares are listed on the
Australian Securities Exchange
(ASX: AV1)

SOLICITORS

Steinepreis Paganin
Level 4, The Read Building
16 Milligan Street
Perth WA 6000

BANKERS

Commonwealth Bank of Australia Limited
150 St Georges Terrace
Perth WA 6000

AUDITORS

Ernst & Young
The EY Building
11 Mounts Bay Road
Perth WA 6000

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LETTER TO SHAREHOLDERS

Mathew J. Ratty
Chief Executive Officer

Stephen Belben
Non-Executive Chairman

Dear shareholder,

The financial year ended 30 June 2019 was a pivotal year for our Company as we received validation of our proprietary TrafficGuard technology through multiple global customer contracts, allowing us to focus on the next phase of our growth.

The pivot toward, and launch of, our TrafficGuard Software-as-a-service (SaaS) product involved two key aspects. Firstly, we prioritised the agile continuous development of the TrafficGuard product itself to prepare it for deployment on a global scale to solve the $42bn global digital marketing ad fraud problem. Secondly, we focused on engaging marquee clients within the industry to build brand equity and provide a solid foundation from which we can now scale up our sales and marketing efforts globally.

The enterprise-level approach, that is, gaining marquee clients first, lends credibility to our marketing strategy and sales efforts as well as the product itself. It was important that before the Company scaled up its sales and marketing efforts, sales processes had been implemented, marketing materials had been prepared, and friction points and competitors had been analysed.

In conjunction with the appointment of direct sales personnel, the Company has taken an active approach to build commercial relationships with key campaign management platforms including HasOffers and Partnerize. Both of these integrations in the current financial year will be used as a sales channel going forward, effectively limiting direct costs to the Company and further enhancing the credibility of our product.

Whilst the future of Adveritas looks extremely positive as we enter the sales phase, we are still early in our journey. We are confident, however, that the 2019-2020 financial year will see strong growth in revenue from enterprise level clients as well as increased new TrafficGuard functionalities to service clients at the mid and low-level price point to expand our total addressable market.

Operational and Technological Highlights

- We lodged a patent to protect our intellectual property (current status is patent pending)
- We improved the product's client portal experience and dashboard visibility to ensure maximum customer engagement
- Our TrafficGuard Preferred Partner Program was launched, allowing all partners to be pre-vetted to ensure they meet quality standards. This enables TrafficGuard's customers to easily select approved traffic sources to run their campaigns
- We integrated with major Mobile Measurement Platforms (MMPs) and Campaign Management Platforms (CMPs) making it easier for the end client to use our product
- We produced and distributed multiple industry white papers
- We launched self-serve signup for TrafficGuard, limiting the costs associated with client facing personnel
- We improved the flexibility and reporting functions of TrafficGuard by launching certain elements such as: validation rules, enabling campaign restrictions; reports including cohort and retention reports; and by enabling agency access
- We increased real-time and Machine Learning capabilities
- We expanded TrafficGuard's addressable market from mobile to desktop advertising
- Our product achieved impression level detection, strengthening its ability to mitigate fraud
- We have developed a proof of concept for programmatic and bot management software for future product launch
- We established a US presence by appointing sales people
- We launched Pay Per Click (PPC) protection to protect Google Ads campaigns from fraud. Google accounts for over 30% of global digital ad revenue
- We reduced TrafficGuard's infrastructure costs. Our method of building a proof of concept and moving to a minimal viable product (MVP) has been optimised over time to control costs. Further development of the MVP will result in significant cost reduction as algorithms and computing process time are optimised
- TrafficGuard was selected as the mobile marketing innovation award winner by MarTech Breakthrough

We are confident that the achievement of these milestones has put TrafficGuard at the leading edge and has laid the foundations for rapid revenue growth for the 2019-2020 financial year. Furthermore, with the validation of global, industry leading customers and the experience of multiple customer contracts, we expect a reduced sales cycle as we grow globally.

Ad Fraud Prevention Market

Digital ad fraud was forecast to have cost businesses US $42bn in 2019, rising to $100bn by 2023. Inadequacy of existing fraud management solutions is still evident from the volumes of fraud detected by TrafficGuard. Existing anti-fraud tools predominantly report on fraud rather than actually stopping it. As fraud forecasts and fraud-related litigation make headlines in marketing trade press, it is clear that there is an increasing dissatisfaction with the status quo and growing demand for a more sophisticated approach.

In other industries fraud and security are managed by independent specialists. In digital advertising, the provision of independent fraud protection is now catching up with this industry-norm which opens the gates for TrafficGuard to disrupt the industry and obtain significant market share. We are delighted that TrafficGuard is gaining its position as the anti-fraud solution of choice for the global digital advertising sector.

We are excited to be the first mobile ad fraud prevention specialists with our unique triple layered protection. TrafficGuard is comprised of multiple layers of scoring, algorithms, thresholds and machine learning, applied to the click, install and post-install event.

Board and Management Commitment

The Board appointed both Mark McConnell and Andrew Stott within the 2019 financial year. Both non-executive directors come with exceptional skills including vital capital markets, M&A and legal knowledge together with strong experience in other successful SaaS companies.

All members of the Board would like to thank senior management for their extended work hours and commitment to make Adveritas a successful global SaaS company.

Whilst the Board believes that it has the necessary skills required to guide the Company given its current growth strategy, it is committed to adding additional directors with skills that will complement the current Board.

Outlook

The Adveritas mission is to **"drive trust and transparency in the digital marketing ecosystem"**. We are committed to this mission and will continue to invest in research and development initiatives, our people as well as other areas to drive sustainable long term value for our shareholders. The fundamentals of our SaaS business have never looked better as we start our sales expansion. The ad fraud prevention market is ripe with opportunities and we are confident that our efforts from both a technology and sales point of view will translate into significant revenue growth for Adveritas.

Finally, thank you to our loyal shareholders for your support during our transformative year.

Yours sincerely,

Mathew J. Ratty
Chief Executive Officer

Stephen Belben
Non-Executive Chairman

The directors present their report together with the financial report of Adveritas Limited (**Adveritas or Company**) and its controlled entities (collectively referred to as the Group) for the financial year ended 30 June 2019 and the independent auditor's report thereon.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless stated otherwise.

Mr Stephen Belben

Non-Executive Chairman

Mr Belben has over 20 years' experience in both executive and non-executive director roles, at a number of public and private companies. This experience follows 9 years as a senior partner at Ernst & Young, specialising in corporate and assurance work in Australia. Whilst at Ernst & Young, Mr Belben was appointed the national partner in charge of one of the firm's largest Industry Group's where he was responsible for the development and servicing of a major client base in that sector in Australia.

During the last three years, Mr Belben has not served as a director of any other ASX listed company.

Mr Belben is a Chartered Accountant and holds a Bachelor of Accountancy degree and a Bachelor of Commerce Honours degree.

Mr Mathew Ratty

Managing Director and Chief Executive Officer

Mr Ratty is an experienced investor focused on Australian and US equity and debt markets. He has extensive experience across capital raising advice, seed investment negotiation, corporate strategy and financial modelling.

He is the co-founder of MC Management Group Pty Ltd, a venture capital firm operating in domestic and international debt and equity markets. At MC Management Group Pty Ltd, which is a substantial shareholder the Company, Mr Ratty holds the position of Head of Investment and is responsible for negotiating deal structures and asset pricing for companies in the healthcare, financial and technology space.

Prior to this, Mr Ratty was a director and analyst at property development and equity company, Gladstone Bridge.

During the last three years Mr Ratty has also served as a Non-Executive Director of medical technology company, Admedus Limited (ASX: AHZ). He resigned from this position on 20 May 2018.

Mr Ratty holds a Bachelor of Commerce (Property and Finance) with first class honours in finance from Curtin University of Technology.

Mr Renaud Besnard

Non-Executive Director

Mr Besnard is currently a Senior Director of Global Growth and Product Marketing at Twitter, based in San Francisco. In this role, Mr Besnard leads global growth marketing and global product marketing across consumer and advertiser audiences. Previously, Mr Besnard served as the Director of Marketing for Asia-Pacific (excl. India) at Uber Technologies Inc. and was responsible for the development and execution of Uber's marketing strategy across that region.

Prior to joining Uber, Mr Besnard was a long-standing Google executive, having spent almost 10 years in senior positions in Europe and Asia. Amongst many roles at Google, he led consumer and monetisation marketing across Southeast Asia including must-win, high-growth "next Billion users" markets, with particular focus on Google Search and YouTube.

During the last three years, Mr Besnard has not served as a director of any other ASX listed company.

Mr Besnard holds a Bachelor degree in Commerce from ESSCA Business School (France), a Masters in International Business from the University of Manchester (UK) and an MBA from the University of Oxford (UK).

Mr Mark McConnell

Non-Executive Director

Appointed on 26 February 2019

Mr McConnell is a successful business developer whose skills cover the areas of business strategy, investor relations, capital raising and innovation. He has extensive experience in both listed and unlisted technology companies in Australia and abroad. He co-founded the Citadel Group Limited (ASX: CGL) in 2007, a leading software and technology company that specialises in secure enterprise information management.

Mr McConnell currently serves as a non-executive director on the Citadel board and is a non-executive director of Viva Leisure Limited (ASX: VVA). Mr McConnell also acts as an advisor to HOF Capital, a global technology investment firm that leverages its extensive networks to help founders build successful businesses.

Mr McConnell has a Bachelor of Science, a Graduate Diploma of Employment Relations, a Graduate Diploma of Logistics Management, and a Masters of Business Administration. He is also a Fellow of the Australian Institute of Company Directors (FAICD).

Mr Andrew Stott

Non-Executive Director

Appointed on 26 February 2019

Mr Stott has significant experience in global technology mergers and acquisitions for listed and unlisted companies. He is originally from the UK and worked in London and New York before moving to Singapore in 2012 to open the offices of an international tech-focussed law firm. Mr Stott became the Asia managing partner, and regional head of corporate and advised on in excess of US$20bn in transactions in Asia, Australia, Europe and the USA. Mr Stott established his own advisory firm in early 2018 and has been working as a consultant to Adveritas since August 2018, helping implement its expansion strategy through relationships with internationally based customers and partners.

Until June 2018, Mr Stott was also a Board member of the Asia Video Industry Association (AVIA), an industry lobbying association representing the video industry in Asia. AVIA's 130-member organisations include leading advertising and marketing agencies, media groups, government regulatory bodies, telecom companies, new media service providers and network enablers.

During the last three years, Mr Stott has not served as a director of any other ASX listed company.

Mr Stott holds an LLB Degree in Law and is a solicitor of the courts of England and Wales.

INTERESTS IN THE SECURITIES OF THE COMPANY AND RELATED BODIES CORPORATE

As at 30 June 2019 and as of the date of this report, the interests of the directors in the securities of the Company were as follows:

	As at 30 June 2019			As at the date of this report		
	Ordinary shares	**Share options**	**Performance Rights**	**Ordinary shares**	**Share options**	**Performance Rights**
S. Belben	320,000	1,340,000	-	320,000	1,340,000	-
M. Ratty	10,482,682	3,946,242	8,250,000	10,482,682	3,946,242	8,250,000
R. Besnard	-	1,250,000	-	-	1,250,000	-
M. McConnell	11,777,779	10,277,778	-	11,777,779	10,277,778	-
A. Stott	500,000	1,350,000	-	500,000	1,350,000	-

COMPANY SECRETARY

Ms Susan Hunter has over 23 years' experience in the corporate finance industry and has extensive experience in Company Secretarial and Non-Executive Director roles on ASX, AIM and TSX listed companies.

Ms Hunter holds a Bachelor of Commerce degree from the University of Western Australia majoring in Accounting and Finance, is a Member of the Australian Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australasia and a Member of the Australian Institute of Company Directors. She is also a Fellow of the Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia.

DIVIDENDS

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

PRINCIPAL ACTIVITIES

The Company's principal activity during the year was the provision of comprehensive digital advertising fraud prevention services through its SaaS (software as a service) product, TrafficGuard®. TrafficGuard® was launched commercially on 1 July 2018.

The Company is focussed on growing the business in three key areas:

- Strategic partnerships with aligned tech platforms which will enable TrafficGuard® to expand its reach and allow adoption within partner client bases;
- Expanding operations in North America to service the world's largest digital advertising market and be able to service businesses in every time zone; and
- Evolving the TrafficGuard® fraud-prevention technology to provide impression level fraud prevention for use across programmatic advertising.

OPERATING AND FINANCIAL REVIEW

As shown in the table below, during the current financial year the Company's revenue stream changed from performance marketing to software as a service:

	FY 2019	FY 2018	FY 2017	FY 2016
Revenue from software as a service	$643,579	-	-	-
Revenue from performance marketing	$564,386	$15,483,256	$37,025,141	$32,123,476

On 31 July 2018, the Company completed the closure of its performance-marketing division through the sale of 90% of its interest in Mpire Network Inc. The sale generated cash proceeds of $500,000 upfront, with a deferred consideration of $400,000 and a working capital adjustment amount of approximately $220,000. The Company remains a party to a 3 year profit share agreement pursuant to which it can earn a maximum of $6,000,000.

In October 2018, the Company successfully completed an entitlements issue, raising $2.4 million (before costs). Off the back of this capital raise, the Company secured an additional $250,000 through a placement at 7.5 cents per share which represented a premium of 67% over the entitlements issue pricing.

In April 2019, the Company raised a further $2.1 million (before costs) through the issue of approximately 12.6 million shares at 16.5 cents per share.

Following the commercial launch of the Company's fraud mitigation product, TrafficGuard®, on 1 July 2018, there have been a number of achievements, including:

- On boarding of key clients such as Latin American tech unicorn, Rappi, and Indonesian on-demand services app, GO-JEK
- Signing of contracts with customers in the key target segments of media agencies, advertising networks and direct advertisers
- Expansion into the United States with the appointment of a Vice President of Sales, North America and customer success roles in the United States and Latin America
- Integrating with marketing and data analytics platforms to enable those platforms' clients to easily access TrafficGuard's fraud detection software
- Establishing strong pipelines for future customers as a result of multiple trial agreements being entered into
- Introducing pay-per-click fraud protection to allow TrafficGuard's entry to a lucrative and large market segment of advertisers that rely on Google Ads as their primary digital advertising channel
- Launching the partner program, TrafficGuardians, which helps advertisers identify transparent and safe traffic sources
- Entering into a Memorandum of Understanding with Chinese digital marketing consultancy, SparkX, which may assist the Company's entry into China
- Meeting product development milestones ahead of schedule. TrafficGuard's fraud prevention platform has expanded from mobile app, to mobile web and desktop advertising. In addition to click and install level fraud mitigation, TrafficGuard is also detecting fraud at the impression level. These developments have extended TrafficGuard's appeal to performance marketing networks and brand managed advertising and affiliate programs
- Receiving an award for Mobile Marketing Innovation at the MarTech BreakThrough awards

The Company recorded a loss of before tax of $6,626,829 for its continuing operations (2018: $7,203,613). The Company continues to minimise expenditure in all non-critical areas. The Company's cash at bank was $2,046,991 at 30 June 2019 (30 June 2018: $4,054,816).

A summary of the operating results achieved by the Group over the last 4 years for is set out below. The trading results of the performance marketing division have been classified as a discontinued operation. The 2016 financial year was the Group's first full year of trading since being readmitted to quotation on the Australian Securities Exchange on 7 July 2015.

OPERATING AND FINANCIAL REVIEW (continued)

	Note	FY 2019 $	FY 2018 $	FY 2017 $	FY 2016 $
Revenue	1	643,579	-	-	-
Grant income	2	955,868	-	-	187,594
Profit on disposal of controlled entity		594,698	-	-	-
Sundry income		66,317	73,311	51,178	151,933
Other income		1,616,883	73,311	51,178	339,527
Server hosting costs	3	(1,364,491)	(760,847)	(368,216)	(166,212)
Administration, marketing and occupancy costs	4	(1,156,668)	(893,904)	(738,200)	(390,401)
Compliance and consultancy costs	5	(707,811)	(551,522)	(365,010)	(309,177)
Employment costs	3	(5,235,288)	(4,777,622)	(3,406,094)	(1,990,483)
Bad and doubtful debts expense		(41,463)	(1,000)	-	(194,514)
Foreign exchange differences		160,854	(127,754)	(112,881)	9,144
Finance costs		-	(23)	(17)	(41,043)
Depreciation		(39,191)	(52,631)	(67,285)	(18,210)
Overheads		(8,384,058)	(7,165,303)	(5,057,703)	(3,100,896)
Share based payments	6	(503,233)	(111,621)	(215,442)	(4,250,454)
Corporate transaction costs		-	-	-	(30,484)
Other expenses		(503,233)	(111,621)	(215,442)	(4,280,938)
Loss before tax		(6,628,829)	(7,203,613)	(5,221,967)	(7,042,307)
Income tax (expense) / benefit		(17,591)	(47,971)	191,148	(258,056)
Loss after tax - continuing operations		**(6,644,420)**	**(7,251,584)**	**(5,030,819)**	**(7,300,363)**
Profit / (loss) after tax - discontinued operations		**92,223**	**(257,811)**	**5,448,025**	**3,653,798**
Profit / (loss) after tax for the Group		**(6,552,197)**	**(7,509,395)**	**417,206**	**(3,646,565)**

Notes

1. In FY19, the Group earned revenue from its SaaS offerings. In the prior years presented, the Group earned revenue from its performance marketing operations which have been classified as discontinued operations.
2. The grant income received in FY19 and FY16 related to the Group's research and development expenditure incurred in FY18 and FY15 respectively. In FY17 and FY18, the Group was eligible for a research and development rebate in the form of an off-set against its income tax liability.
3. Server hosting costs and employment costs increased in FY19 in accordance with the Board's decision to focus on the development of its software as a service offerings.
4. Administration, marketing and occupancy costs have increased in FY 19 largely as a result of marketing costs for TrafficGuard.
5. Compliance and consultancy costs have increased in FY19 largely as a result of legal and advisory fees.
6. Share based payments expense for FY19 increased significantly as options and performance rights were granted to directors and employees as part of their remuneration. In addition, options were issued to consultants in accordance with the terms of their agreements.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Company disposed of its performance-marketing business to enable the Company's resources to be focussed on the further development of its core technology products. The commercial launch of the Company's fraud mitigation product, TrafficGuard, took place on 1 July 2018.

SIGNIFICANT EVENTS AFTER BALANCE DATE

As announced on 14 August 2019, the Company received firm commitments to raise over $2.8 million (before costs) through a placement to new and existing institutional and sophisticated investors at an issue price of 10c per share.

The firm commitments include a total of $1.3 million from directors of the Company. The issue of shares to the directors will be subject to shareholder approval at the Company's next General Meeting which will be held as soon as possible.

Settlement of the placement (excluding the $1.3 million from the directors) took place on 16 August 2019, with quotation of the new shares occurring on 19 August 2019.

No event other has arisen since 30 June 2019 that would be likely to materially affect the operations of the Group, or its state of affairs which has not otherwise been disclosed in this financial report.

LIKELY DEVELOPMENTS AND EXPECTED FUTURE RESULTS

The Company expects further material contracts to result from ongoing trials. Sales and marketing efforts will continue to intensify, emphasising the value TrafficGuard is delivering to the high-calibre clients it has signed in its first year of operations.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is not subject to any particular or specific environmental regulation in any of the jurisdictions in which it operates and therefore is not required to present further details in relation to environmental regulation.

SHARE OPTIONS

Unissued shares

As at 30 June 2019 and the date of this report, there were 64,946,334 unissued ordinary shares under options.

Expiry Date	Exercise Price	Number on issue
30 March 2020	$0.45	1,500,000
25 August 2020	$0.45	500,000
07 December 2020	$0.10	1,000,000
24 December 2020	$0.15	3,450,000
25 October 2021	$0.10	55,496,334
27 March 2022	$0.20	3,000,000
		64,946,334

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Shares issued as a result of the exercise of options

During the financial year, 4,500 options were exercised to acquire ordinary shares (2018: NIL).

PERFORMANCE RIGHTS

Unissued shares

As at 30 June 2019 there were 8,250,000 unissued ordinary shares under performance rights (30 June 2018: 1,233,332). As at the date of this report there were 14,850,000 unissued ordinary shares under performance rights. On 1 June 2018, 33,332 performance rights vested and were converted to ordinary shares on 25 October 2018. 1,200,000 performance rights lapsed on 18 July 2018. Refer to the remuneration report and Note 17 for further details of the performance rights outstanding.

Holders of performance rights do not have any right, by virtue of the performance right, to participate in any share issue of the Company or any related body corporate.

Shares issued as a result of the conversion of performance rights

During the financial year 33,332 performance rights were converted into ordinary shares (2018: 7,500,000).

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has agreed to indemnify all the directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract insuring the directors and officers of the Company against any liability incurred in the course of their duties to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Group has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

DIRECTORS' MEETINGS

The number of meetings of directors held by the Company during the year and the number of meetings attended by each director were as follows:

Number of meetings held 11

	Number of meetings eligible to attend	Number of meetings attended
S. Belben	11	11
M. Ratty	11	10
R. Besnard	11	8
M. McConnell (appointed 26 February 2019)	4	4
A. Stott (appointed 26 February 2019)	4	3

Committee Membership

Due to the Company's relatively small size and board structure, separate Remuneration and Audit Committees have not been constituted. The full board of directors assumes responsibility for any such matters as outlined in the Company's corporate governance plan.

NON-AUDIT SERVICES

The following non-audit services were provided by the Group's auditor, Ernst & Young Australia, during the year and Ernst & Young Australia received or is due to receive the following amounts for the provision of such services:

	$
Tax advice services	48,282

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means the auditor's independence was not compromised.

AUDITOR INDEPENDENCE

Section 307C of the *Corporations Act 2001* requires the Company's auditors, Ernst & Young Australia, to provide the directors of the Company with an Independence Declaration in relation to the audit of the Financial Report. The directors received the Independence Declaration set out on page 25 for the year ended 30 June 2019.

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2019 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 (Cth), as amended (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Remuneration outcomes
4. Executive contracts
5. Additional disclosures relating to performance rights, options and shares
6. Other transactions and balances with key management personnel and their related parties

1. Introduction

The remuneration report details the remuneration arrangements for key management personnel **(KMP)** who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent entity.

The table below outlines the KMP of the Group during the financial year ended 30 June 2019. Unless otherwise indicated, the individuals were KMP for the entire financial year.

For the purposes of this report, the term "executive" indicates the executive directors and senior executives of the Group.

Non-Executive Directors (NEDs)	
S. Belben	Non-Executive Chairman
R. Besnard	Non-Executive Director
M. McConnell	Non-Executive Director, appointed 26 February 2019
A. Stott	Non-Executive Director, appointed 26 February 2019

Executive Directors	
M. Ratty	Managing Director and Chief Executive Officer

Senior Executives	
L. Taylor	Chief Operating Officer, appointed 20 August 2018 (refer further to section 4)
L. Hunter	Chief Operating Officer, resigned on 18 July 2018
J. Dutton	Managing Director, Asia Pacific, employment ceased 21 May 2019
F. Muir	Chief Financial Officer
S. Hunter	Company Secretary
D. Cox	Chief Revenue Officer, appointed 26 April 2019 (refer further to section 4)
E. Rosenburg	Vice President of Sales North America, appointed 29 April 2019

2. Remuneration governance

2(a) Remuneration Philosophy

The performance of the Group depends upon the quality of the directors and executives. The philosophy of the Group in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

2(b) Remuneration Committee

The current size of the Group and structure of the board of directors does not warrant a separate remuneration committee. The board of directors as a whole **(Board)** is currently responsible for determining and reviewing compensation arrangements for directors and executives. Directors are excluded from discussions and voting on their own remuneration arrangements.

The Board assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

REMUNERATION REPORT (AUDITED) (continued)

2(c) Remuneration Structure: Non-Executive Director Remuneration

Fixed Remuneration

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

The Board seeks to set aggregate remuneration of non-executive directors at a level that provides the Group with the ability to attract and retain high calibre directors, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The aggregate remuneration set pursuant to Adveritas Limited's constitution is $500,000 per year, which may be varied by shareholders in general meeting.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board does not currently seek external remuneration advice.

Each director receives a fee for being a director of the Company.

Options

In addition to fees, on 26 June 2019 shareholders approved the issue of 750,000 options to each of the non-executive directors in office.

The exercise price of these options is $0.20 and was calculated so as to ensure that the options only have value if there is an increase in shareholder wealth over time. These options vested immediately on issue and expire on 27 March 2022. The purpose of the issue was to recognise work undertaken by the directors and to incentivise them further. Such options are outside the normal remuneration policy for directors.

In the prior year, 500,000 options were issued to Renaud Besnard.

2(d) Remuneration Structure: Executive Director and Senior Executive Remuneration

(i) **Objective**

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities so as to:

- Reward executives;
- Align the interests of executives with those of shareholders;
- Link reward with strategic goals and performance of the Group; and
- Ensure total remuneration is competitive by market standards.

(ii) **Principles of Compensation**

Compensation levels for employees of the Group are competitively set to attract and retain appropriately qualified and experienced senior executives. Executive remuneration and other terms of employment are reviewed annually by the Board having regard to the performance, relevant comparative information and expert advice.

(iii) **Structure**

Remuneration consists of the following key elements:

- Fixed Remuneration (base salary, superannuation and non-monetary benefits);
- Variable Remuneration
  - Short-term incentives
  - Long-term incentives

The Board establishes the proportion of fixed and variable remuneration for each executive.

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. The Board periodically reviews fixed remuneration when extending or otherwise amending the employment contracts of key executives. This review takes into account the overall performance of the executive and of the Group. The Board considers the executive's performance of the specific duties and tasks set out in their employment contracts which were included based on the general nature of the executive's role together with any specific requirements from the Board.

Executives may be given the flexibility to receive their remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

REMUNERATION REPORT (AUDITED) (continued)

Variable Remuneration – short-term incentive

The objective of short term incentives is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. Operational targets are set periodically by the Board and include matters such as the funding of the Company, the timing of technological developments and the implementation of expansion strategies.

From time to time cash bonuses (short-term incentives) are paid where an executive has met a short term objective of the Group. Such bonuses are paid when specific criteria which are set by the Board are met. These criteria are linked to the operational targets set by the Board. In some instances, cash bonuses are paid when an executive has made contributions that are significant and beyond the normal expectations of their role.

Variable Remuneration – long-term incentive

Long-term incentives are delivered in the form of options and performance rights.

Performance rights and options are issued in accordance with the terms and conditions of the Adveritas Performance Rights and Options Plan **(Plan)** that has been approved by the Company's shareholders.

Pursuant to the listing rules of the Australian Securities Exchange **(Listing Rules)**, the Company's shareholders are required to re-approve the Plan and all unallocated securities issuable under it every three years. The Company's current Plan was approved by shareholders at the 2018 AGM.

The key features of the Plan are as follows:

- The Company's board of directors **(Board)** may, from time to time, in its absolute discretion, make a written offer to any eligible participant to apply for options or performance rights **(Awards)**, upon the terms set out in the Plan and upon such additional terms and conditions as the Board determines.
- An Award may be made subject to vesting conditions as determined by the Board in its discretion and as specified in the offer for the Awards.
- The Board may in its absolute discretion resolve to waive any of the vesting conditions applying to Awards due to special circumstances arising in relation to the eligible participant; or the Company passing a resolution for voluntary winding up; or an order is made for the compulsory winding up of the Company.
- Where a change of control occurs, vesting conditions are deemed to be automatically waived.
- An Award will lapse upon the earlier of:
  - an unauthorised dealing, or hedging of the Award;
  - a vesting condition in relation to the Award is not satisfied by its due date, or becomes incapable of satisfaction, as determined by the Board in its absolute discretion;
  - in respect of unvested Awards, the recipient of the unvested Awards ceases to be an eligible participant;
  - in respect of vested Awards, the recipient of the vested Awards ceases to be an eligible participant and the Award granted is not exercised within a one (1) month period (or such later date as the Board determines) of the date that person ceases to be an eligible participant;
  - the Board deems that an Award lapses due to fraud, dishonesty or other improper behaviour of the eligible participant;
  - the Company undergoes a change of control or a winding up resolution or order is made and the Board does not exercise its discretion to vest the Award; and
  - the expiry date of the Award.
- The Board may, in its discretion, determine at any time up until exercise of Awards, that a restriction period will apply to some or all of the shares issued to an eligible participant on exercise of those Awards **(Restriction Period)**. In addition, the Board may, in its sole discretion, having regard to the circumstances at the time, waive any such Restriction Period.
- There are no participation rights or entitlements inherent in the Awards and eligible participants will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Awards without exercising the Award.

During the current year, 1,750,000 options and 14,850,000 performance rights were granted to executives (2018: Nil options and 1,200,000 performance rights).

The exercise price and vesting conditions of options awarded to executives and the vesting conditions of performance rights awarded to executives is determined so as to ensure that these options and performance rights only have value if there is an increase in shareholder wealth over time.

2(e) Remuneration Report Approval at 2018 Annual General Meeting

The remuneration report of Adveritas Limited for the year ended 30 June 2018 was approved by shareholders at the 2018 AGM.

REMUNERATION REPORT (AUDITED) (continued)

3. Remuneration Outcomes

Remuneration of Key Management Personnel

		Short-term benefits				Post-employment	Long-term benefits	Share-based payments			
		Salary & fees $	Commission / Bonus $	Termination benefits	Non-monetary benefits $	Super $	Long service leave $	Performance Rights $	Options $	Total $	Performance related %
Non-Executive Directors											
S. Belben [14]	**2019**	**60,165**	**-**	**-**	**-**	**5,716**	**-**	**-**	**51,803**	**117,684**	**-**
	2018	60,165	-	-	-	5,716	-	-	-	65,881	-
R. Besnard [14]	**2019**	**40,110**	**-**	**-**	**-**	**3,810**	**-**	**-**	**51,803**	**95,723**	**-**
	2018	39,407	-	-	-	3,744	-	-	45,616	88,767	-
M. McConnell [1,14]	**2019**	**13,824**	**-**	**-**	**-**	**1,313**	**-**	**-**	**51,803**	**66,940**	**-**
	2018	-	-	-	-	-	-	-	-	-	-
A. Stott [1,14]	**2019**	**13,690**	**-**	**-**	**-**	**1,301**	**-**	**-**	**51,803**	**66,794**	**-**
	2018	-	-	-	-	-	-	-	-	-	-
Executive Directors											
M. Ratty [2,11,14]	**2019**	**235,044**	**185,000**	**-**	**-**	**22,621**	**828**	**5,303**	**-**	**448,796**	**42**
	2018	114,315	45,000	-	-	15,135	170	-	-	174,620	26
Total Directors	**2019**	**362,833**	**185,000**	**-**	**-**	**34,761**	**828**	**5,303**	**207,212**	**795,937**	**50**
	2018	213,887	45,000	-	-	24,595	170	-	45,616	329,268	14
Senior Executives											
L. Taylor [3,12,14]	**2019**	**243,983**	**25,000**	**-**	**-**	**20,728**	**4,671**	**88,316**		**382,698**	**30**
	2018	200,550	-	-	-	19,052	3,972	-	-	223,574	-
J. Botnick [4]	**2019**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2018	287,727	131,963	198,483	-	-	-	-	-	618,173	21
L. Hunter [5,13,14]	**2019**	**11,868**	**-**	**40,331**	**-**	**2,881**	**-**	**-**	**-**	**55,080**	**-**
	2018	322,440	50,000	-	-	20,030	482	35,637	-	428,589	20
J. Dutton [6,14]	**2019**	**227,783**	**-**	**73,455**	**-**	**-**	**-**	**-**	**14,922**	**316,160**	**5**
	2018	174,989	-	-	-	-	-	-	-	174,989	-
C. Madelin [7]	**2019**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2018	58,669	-	-	-	4,895	-	-	-	63,564	-
T. Allison 8	**2019**	**5,658**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,658**	**-**
	2018	201,934	10,000	-	-	17,056	-	-	-	228,990	4
F. Muir [9,14]	**2019**	**105,642**	**-**	**-**	**-**	**10,036**	**-**	**-**	**14,922**	**130,600**	**11**
	2018	11,394	-	-	-	1,083	-	-	-	12,477	-
S. Hunter [10]	**2019**	**58,838**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**58,838**	**-**
	2018	31,610	-	-	-	-	-	-	-	31,610	-
D. Cox	**2019**	**123,978**	**-**	**-**	**-**	**11,778**	**246**	**-**	**22,383**	**158,385**	**14**
	2018	-	-	-	-	-	-	-	-	-	-
E. Rosenberg	**2019**	**60,842**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**60,842**	**-**
	2018	-	-	-	-	-	-	-	-	-	-
Total Senior Executives	**2019**	**838,592**	**25,000**	**113,786**	**-**	**45,423**	**4,917**	**88,316**	**52,227**	**1,168,261**	**14**
	2018	1,289,313	191,963	198,483	-	62,116	4,454	35,637	-	1,781,966	12
Total	**2019**	**1,201,425**	**210,000**	**113,786**	**-**	**80,184**	**5,745**	**93,619**	**259,439**	**1,964,198**	**29**
	2018	1,503,200	236,963	198,483	-	86,711	4,624	35,637	45,616	2,111,234	15

REMUNERATION REPORT (AUDITED) (continued)

3. Remuneration outcomes (continued)

Notes

1. Appointed as non-executive director on 26 February 2019.
2. Appointed as permanent Chief Executive Officer on 9 November 2018. Mr Ratty had previously served as the interim Chief Executive Officer.
3. Appointed as Chief Operating Officer on 20 August 2018. Mr Taylor had previously served as the Chief Technology Officer.
4. Resigned as Managing Director of Mpire Network on 21 November 2017. Salary and fees for FY18 include payments arising on cessation of employment and pay out of accumulated annual leave.
5. Resigned as Chief Operating Officer on 18 July 2018.
6. Employment ceased on 21 May 2019.
7. Resigned as Chief Financial Officer on 18 September 2017.
8. Appointed as Chief Financial Officer on 18 September 2017 and resigned on 15 June 2018. Salary and fees include consultancy fees charged by Mr Alison subsequent to his resignation (2019: $5,698, 2018: $13,000).
9. Appointed as Chief Financial Officer 25 June 2018.
10. Appointed as Company Secretary on 29 September 2017.
11. Bonuses totalling $105,000 were paid under Mr Ratty's Interim CEO contract (2018: $45,000) and a bonus of $80,000 was paid under his permanent CEO contract. Current year bonuses paid relate to the successful sale of the performance marketing business, the completion of an entitlements issue, a placement to raise approximately $4 million, and the expansion into the US. In the prior year, the bonus paid related to the successful completion of a $3 million placement.
12. The bonus paid relates to the successful achievement of key technical milestones.
13. The bonus paid in the prior year related to the successful opening of an office in Singapore to cover the Asia pacific region.
14. Refer to section 5 below and Note 17 for further information on the vesting conditions attached to the options and performance rights granted.

REMUNERATION REPORT (AUDITED) (continued)

4. Executive contracts

Remuneration arrangements for executives are formalised in the employment agreements. The following outlines the details of the contracts with executives:

Mathew Ratty, Managing Director and Chief Executive Officer

Mr Ratty's current employment agreement commenced on 9 November 2018 (Mr Ratty held the position of Interim CEO up to this date) and will continue until 30 June 2021, unless extended.

Details

- Annual base salary of $265,000 plus statutory superannuation.
- Performance related bonuses – short term incentive:

At the Board's discretion, a cash bonus may be paid to Mr Ratty in relation to the successful completion of a capital raising. The cash bonus is not to exceed 50% of the annual salary in the financial year the bonus is earnt.

- Performance related bonuses – long term incentive:

Milestones to be achieved	Quantum of performance rights to vest upon achievement of milestone
First 10 clients that sign on using TrafficGuard	250,000
First 3 "Tier 1" clients who the board consider to be enterprise level i.e. > 1 billion clicks per month	500,000
First achievement of revenue producing twelve month contracts to the amount of $1m	500,000
First achievement of revenue producing twelve month contracts to the amount of $3m	1,000,000
First achievement of revenue producing twelve month contracts to the amount of $5m	1,500,000
First achievement of break-even cash flow in a financial year	1,000,000
First achievement of audited $1m EBITDA	1,500,000
First achievement of audited $3m EBITDA	2,000,000
	8,250,000

- The agreement may be terminated:
  - by the Company without cause by giving twelve months' notice, or immediately with payment in lieu of notice;
  - by the Company giving one months' notice if Mr Ratty is unable to perform his duties due to illness, accident or incapacitation, for six consecutive months or a period aggregating more than six months in any twelve month period; or
  - by the Company immediately without notice following material breach or in the case of misconduct; or
  - by Mr Ratty without cause by giving three months' notice or immediately if the Company commits any serious or persistent breach of the agreement.
- Other industry standard provisions for a senior executive

REMUNERATION REPORT (AUDITED) (continued)

4. Executive contracts (continued)

Luke Taylor, Chief Operating Officer

Mr Taylor's current employment agreement commenced on 20 August 2018 (Mr Taylor held the position of Chief Technology Officer up to this date) and will continue until 30 June 2021, unless extended.

Details

- Annual base salary of $250,000 plus statutory superannuation.

  A cash bonus may be paid at any time during the term of the agreement conditional upon the achievement of key performance indicators set by the Chief Executive Officer. The cash bonus is not to exceed 25% of the annual salary in the financial year the bonus is earnt

- Performance related bonuses – long term incentive:

Milestones to be achieved	Quantum of performance rights to vest upon achievement of milestone
First 10 clients that sign on using TrafficGuard	200,000
First 3 "Tier 1" clients who the board consider to be enterprise level i.e. > 1 billion clicks per month	400,000
First achievement of revenue producing twelve month contracts to the amount of $1m	400,000
First achievement of revenue producing twelve month contracts to the amount of $3m	800,000
First achievement of revenue producing twelve month contracts to the amount of $5m	1,200,000
First achievement of break-even cash flow in a financial year	800,000
First achievement of audited $1m EBITDA	1,200,000
First achievement of audited $3m EBITDA	1,600,000
	6,600,000

Lee Hunter, Chief Operating Officer (resigned on 18 July 2018)

Mr Hunter's employment agreement commenced on 20 March 2018 (Mr Hunter held the position of CEO up to this date) and had no fixed term. Mr Hunter resigned from the Company on 18 July 2018.

Details

- Annual base salary of $240,000 plus statutory superannuation.
- Performance based incentive relating to the sale and leaseback of the Company's TrafficGuard SaaS product: 3% of the purchase price for a purchase price under A$12 million or 4% of the purchase price for a purchase over A$12 million.
- The agreement may be terminated:
  - by the Company without cause by giving six months' notice, or immediately with payment in lieu of notice;
  - by the Company giving one months' notice if Mr Hunter is unable to perform his duties due to illness, accident or incapacitation, for two consecutive months or a period aggregating more than two months in any twelve month period; or
  - by the Company by giving one months' notice following any serious or persistent breach of this agreement; or
  - by Mr Hunter without cause by giving six months' notice or immediately if the Company commits any serious breach of the agreement.
- Other industry standard provisions for a senior executive

REMUNERATION REPORT (AUDITED) (continued)

4. Executive contracts (continued)

James Dutton, Managing Director, Asia Pacific (employment ceased on 21 May 2019)

Mr Dutton's employment agreement commenced on 5 December 2017 and had no fixed term. Mr Dutton's employment agreement was terminated on 21 May 2018.

Details

- Annual base salary of $250,000
- Two performance-based bonuses of up to $35,000 and $100,000 upon the achievement of pre-determined key performance indicators.
- The agreement may be terminated:
  - by either party without cause by giving three months' notice, or in the case of the Company, immediately with payment in lieu of notice;
  - by the Company by giving one months' notice if Mr Dutton is unable to perform his duties due to illness, accident or incapacitation, for two consecutive months or a period aggregating more than two months in any twelve month period;
  - by the Company by giving one months' notice if Mr Dutton commits any serious breach under the agreement that is not remedied within fourteen days; or
  - by the Company summarily without notice following material breach of the agreement or in the case of misconduct; or
  - by Mr Dutton if at any time the Company commits any serious or persistent beach which is not remedied within twenty eight days.
- Other industry standard provisions for a senior executive

Fiona Muir, Chief Financial Officer

Ms Muir's employment agreement commenced on 25 June 2018 and has no fixed term.

Details

- Ms Muir fulfils the role of Chief Financial Officer on a part time basis and is remunerated pro-rata based on an annual base salary of $230,000 plus statutory superannuation.
- The agreement may be terminated:
  - by Ms Muir with one months' notice, unless the Company is in breach of a material term of the agreement, in which case Ms Muir may terminate it immediately;
  - by the Company with one months' notice or payment in lieu of notice;
  - by the Company immediately without notice following material breach or in the case of misconduct
- Other industry standard provisions for a senior executive

REMUNERATION REPORT (AUDITED) (continued)

4. Executive contracts (continued)

David Cox, Chief Revenue Officer

Mr Cox's current employment agreement commenced on 26 April 2019 and has no fixed term. Mr Cox held the position of Managing Director, APAC Sales from 19 November 2018 to 25 April 2019.

Details

- Annual base salary of $250,000 plus statutory superannuation.
- Commissions:
  - A maximum override commission of 1.5% of revenue received from TrafficGuard SaaS that is attributable to the sales efforts of the Mr Cox's subordinates; and
  - a maximum commission of 7.5% of the total value received from every new client agreement that is attributable to Mr Cox's sales efforts.
- Long term incentives:

Milestones to be achieved	Quantum of unlisted options upon achievement of milestone
Contract revenue of USD $5 million committed within 24-months of commencement of this agreement	1,000,000
Contract revenue of USD $10 million committed within 24-months of commencement of this agreement	1,000,000
Contract revenue of USD $15 million committed within 24-months of commencement of this agreement	1,000,000
	3,000,000

- The agreement may be terminated:
  - by either party without cause by giving one months' notice, or in the case of the Company, immediately with payment in lieu of notice;
  - by the Company by giving one months' notice if Mr Cox is unable to perform his duties due to illness, accident or incapacitation, for two consecutive months or a period aggregating more than two months in any twelve month period; or
  - by the Company by giving one months' notice if Mr Cox commits any serious breach under the agreement that is not remedied within fourteen days; or
  - by the Company immediately without notice following material breach or in the case of misconduct; or
  - by Mr Cox if at any time the Company commits any serious or persistent beach which is not remedied within twenty eight days.
- Other industry standard provisions for a senior executive

REMUNERATION REPORT (AUDITED) (continued)

4. Executive contracts (continued)

Eric Rosenberg, Vice President of Sales North America

Mr Rosenburg's employment agreement commenced on 29 April 2019 and has no fixed term.

Details

- Annual base salary of USD $250,000 plus social security and medical insurance
- Commission of 7.5% of sales primarily introduced by Mr Rosenburg
- Following the establishment of an equity incentive plan for US employees, Mr Rosenburg may be offered up to 1 million options in the Company which will vest over a 3 year period.
- The agreement may be terminated at any time by either party with or without cause and with or without notice.
- Other industry standard provisions for a senior executive

Susan Hunter, Company Secretary

Ms Hunter provides company secretarial services through Hunter Corporate Pty Ltd. The agreement with Hunter Corporate Pty Ltd commenced on 24 September 2017 and has no fixed term.

Details

- The Company pays a monthly fee together with any out of pocket expenses. The monthly retainer is based on standard market rates. In the event assistance is required outside of the normal company secretarial role, the Company is charged an additional fee based on the hours worked by Ms Hunter..
- The agreement may be either terminated by the Company or Hunter Corporate by giving two months' notice.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

REMUNERATION REPORT (AUDITED) (continued)

5. Additional disclosures relating to performance rights, options and shares

Performance Rights

Performance rights do not carry any voting or dividend rights and can only be converted until their expiry date once the vesting conditions have been met.

The tables below disclose the movement in performance rights held by executives during the current and prior year. No performance rights vested in the current year (2018: nil) and no performance rights were converted into ordinary shares in the current year (2018: 3,900,000).

2019

	Class E	Class F	Class G	Class H	Class I	Class J	Class K	Class L	Class M	Class N	Class O
M. Ratty											
Balance at beginning of year	-	-	-	-	-	-	-	-	-	-	-
Number granted during year	-	-	-	250,000	500,000	500,000	1,000,000	1,500,000	1,000,000	1,500,000	2,000,000
Grant date	-	-	-	26/06/19	26/06/19	26/06/19	26/06/19	26/06/19	26/06/19	26/06/19	26/06/19
Fair value per performance right at grant date (cents)	-	-	-	12.49	12.49	12.49	12.49	12.49	9.37	6.25	6.25
Balance at end of year	-	-	-	250,000	500,000	500,000	1,000,000	1,500,000	1,000,000	1,500,000	2,000,000
L. Taylor [1]											
Balance at beginning of year	-	-	-	-	-	-	-	-	-	-	-
Number granted during year	-	-	-	200,000	400,000	400,000	800,000	1,200,000	800,000	1,200,000	1,600,000
Grant date	-	-	-	25/01/19	25/01/19	25/01/19	25/01/19	25/01/19	25/01/19	25/01/19	25/01/19
Fair value per performance right at grant date (cents)	-	-	-	9.99	9.99	9.99	9.99	9.99	7.49	5.00	5.00
Balance at end of year	-	-	-	200,000	400,000	400,000	800,000	1,200,000	800,000	1,200,000	1,600,000
L. Hunter											
Balance at beginning of year	150,000	900,000	150,000	-	-	-	-	-	-	-	-
Number lapsed during year	(150,000)	(900,000)	(150,000)								
Balance at end of year	-	-	-	-	-	-	-	-	-	-	-
Total balance at end of year	-	-	-	450,000	900,000	900,000	1,800,000	2,700,000	1,800,000	2,700,000	3,600,000

Notes

1. The performance rights granted to Luke Taylor during the year were issued subsequent to year end on 19 August 2019.

REMUNERATION REPORT (AUDITED) (continued)

5. Additional disclosures relating to performance rights, options and shares (continued)

Performance Rights (continued)

2018

	Class B	Class E	Class F	Class G
L. Taylor				
Balance at beginning of year	1,950,000	-	-	-
Number converted during year	(1,950,000)	-	-	-
Balance at end of year	-	-	-	-
J. Botnick				
Balance at beginning of year	1,950,000			
Number converted during year	(1,950,000)			
Balance at end of year	-	-	-	-
L. Hunter				
Balance at beginning of year		-	-	-
Number granted during year		150,000	900,000	150,000
Grant date		26/10/17	26/10/17	26/10/17
Fair value per performance right at grant date (cents)		10.57	7.05	5.87
Balance at end of year	-	150,000	900,000	150,000
Total balance at end of year	-	150,000	900,000	150,000

The performance rights were granted with the following vesting conditions and milestone dates:

Tranche	Vesting Condition	Expiry date	Status at 30 June 2019
Class E	Upon the Company achieving a five day volume weighted average share price of $0.80 or higher before 30 June 2019.	30 June 2019	Lapsed
Class F	Upon the Company achieving a five day volume weighted average share price of $1.00 or higher before 30 June 2019.	30 June 2019	Lapsed
Class G	Upon the Company achieving a five day volume weighted average share price of $1.20 or higher before 30 June 2019.	30 June 2019	Lapsed
Class H	First 10 clients that sign on using TrafficGuard	30 June 2021	Not yet vested
Class I	First 3 Tier 1 Clients who the Board consider to be enterprise level i.e. > 1 billion clicks per month	30 June 2021	Not yet vested
Class J	First achievement of revenue producing twelve month contracts to the amount of $1m	30 June 2021	Not yet vested
Class K	First achievement of revenue producing twelve month contracts to the amount of $3m	30 June 2021	Not yet vested
Class L	First achievement of revenue producing twelve month contracts to the amount of $5m	30 June 2021	Not yet vested
Class M	First achievement of break-even cash flow in a financial year	30 June 2021	Not yet vested
Class N	First achievement of audited $1m earnings before interest tax, depreciation and amortization (EBITDA)	30 June 2021	Not yet vested
Class O	First achievement of audited $3m EBITDA	30 June 2021	Not yet vested

REMUNERATION REPORT (AUDITED) (continued)

5. Additional disclosures relating to performance rights, options and shares (continued)

Options awarded, vested and lapsed during the year

Share options do not carry any voting or dividend rights, and can only be exercised once the vesting conditions, if any, have been met, and only until the expiry date.

The table below discloses the number of share options granted, vested or lapsed during the year. It includes only options granted as part of remuneration to KMP.

Name	Options granted during the year #	Grant date	Fair value per option at grant date $	Vesting date	Exercise price $	Expiry date	Number vested during year	Number lapsed during year	Value of options granted during year $	Value of options exercised during year $
2019										
Non-Executive Directors										
S. Belben	750,000	26/06/19	0.07	26/06/19	0.20	27/03/22	750,000	-	51,803	-
R. Besnard	750,000	26/06/19	0.07	26/06/19	0.20	27/03/22	750,000	-	51,803	-
M. McConnell	750,000	26/06/19	0.07	26/06/19	0.20	27/03/22	750,000	-	51,803	-
A. Stott	750,000	26/06/19	0.07	26/06/19	0.20	27/03/22	750,000	-	51,803	-
Senior Executives										
D. Cox [1]	750,000	17/12/18	0.06	24/12/19	0.15	24/12/20	-	-	41,682	-
J. Dutton [1]	500,000	17/12/18	0.06	24/12/19	0.15	24/12/20	-	500,000	27,788	-
F. Muir [1]	500,000	17/12/18	0.06	24/12/19	0.15	24/12/20	-	-	27,788	-

Notes

1. The value of options granted during the year shown above is the value at grant date of all the options granted to these executives. These options vest if the executives continue to be employed by the Group on 24 December 2019. The value of these options that has been included in the executives' remuneration at section 3 above is the pro-rata value from grant date to 30 June 2019.

Name	Options granted during the year #	Grant date	Fair value per option at grant date $	Vesting date	Exercise price $	Expiry date	Number vested during year	Number lapsed during year	Value of options granted during year $	Value of options exercised during year $
2018										
R. Besnard	500,000	26/10/2017	0.09	26/10/17	0.45	25/08/20	500,000	-	45,616	-

REMUNERATION REPORT (AUDITED) (continued)

5. Additional disclosures relating to performance rights, options and shares (continued)

Option holdings of KMP

The table below discloses all options held directly, indirectly and beneficially by key management personnel.

	Balance at 1 July 2018	Granted as remuneration	Exercised	Net change other	Balance at 30 June 2019	Exercisable	Not exercisable
Non-Executive Directors							
S. Belben [1]	500,000	750,000	-	90,000	1,340,000	1,340,000	-
R. Besnard	500,000	750,000	-	-	1,250,000	1,250,000	-
M. McConnell [2]	-	750,000	-	9,527,778	10,277,778	10,277,778	-
A. Stott [3]	-	750,000	-	600,000	1,350,000	1,350,000	-
Executive Directors							
M. Ratty [4]	500,000	-	-	3,446,242	3,946,242	3,946,242	-
Senior Executives							
L. Hunter [5]	500,000	-	-	(500,000)	-	-	-
F. Muir [6]	-	500,000	-	-	500,000	-	500,000
S. Hunter	-	-	-	-	-	-	-
D. Cox [6]	-	750,000	-	-	750,000	-	750,000
E. Rosenburg	-	-	-	-	-	-	-
J. Dutton [7]	-	500,000	-	(500,000)	-	-	-
Total	**2,000,000**	**4,750,000**	**-**	**12,664,020**	**19,414,020**	**18,164,020**	**1,250,000**

Notes

1. Mr Belben acquired 90,000 quoted options as part of his participation in the Company's entitlements issue which was completed in October 2018.
2. Prior to his appointment as a non-executive director on 26 February 2019, Mr McConnell acquired 9,527,778 quoted options as part of his participation in the Company's entitlements issue which was completed in October 2018.
3. Mr Stott was issued 600,000 unlisted options in December 2018 pursuant to the terms of a consultancy agreement that was in place prior to his appointment as a non-executive director on 26 February 2019.
4. Mr Ratty acquired 2,948,255 quoted options as part of his participation in the Company's entitlements issue which was completed in October 2018. He acquired a further 497,987 options on market.
5. Mr Hunter resigned from the Company on 18 July 2018. The options held by Mr Hunter at the time of his resignation had vested and are capable of being exercised.
6. The options issued to Ms Muir and Mr Cox vest on 24 December 2019.
7. At the time Mr Dutton's employment ceased, the options issued to him had not yet vested and therefore lapsed.

REMUNERATION REPORT (AUDITED) (continued)

5. Additional disclosures relating to performance rights, options and shares (continued)

Share holdings of KMP

The table below discloses the shares held directly, indirectly and beneficially by key management personnel.

	Balance at 1 July 2018	Granted as remuneration	On conversion of performance rights	Net change other	Balance at 30 June 2019
Non-Executive Directors					
S. Belben [1]	200,000	-	-	120,000	320,000
M. McConnell [2]	-	-	-	11,777,779	11,777,779
A. Stott [3]	-	-	-	500,000	500,000
Executive Directors					
M. Ratty [4]	6,551,676	-	-	3,931,006	10,482,682
Senior Executives					
L. Taylor [5]	3,253,782	-	-	1,950,000	5,203,782
Total	**9,805,458**	**-**	**-**	**5,881,006**	**15,686,464**

Notes

1. Mr Belben acquired 120,000 shares as part of his participation in the Company's entitlements issue which was completed in October 2018.
2. Prior to his appointment as a non-executive director on 26 February 2019, Mr McConnell acquired 8,444,446 shares as part of his participation in the Company's entitlements issue which was completed in October 2018. Mr McConnell acquired a further 3,333,333 shares pursuant to a placement to the Company in November 2018.
3. Mr Stott acquired 500,000 shares on market prior to his appointment as a non-executive director on 26 February 2019.
4. Mr Ratty acquired 3,931,006 shares as part of his participation in the Company's entitlements issue which was completed in October 2018.
5. Mr Taylor acquired 1,950,000 shares as part of his participation in the Company's entitlements issue which was completed in October 2018.

6. Other transactions and balances with key management personnel and their related parties

In July 2018, the Company entered into a consultancy agreement with 13811 Advisory Pte Ltd, a company of which Mr Stott is the CEO and founder. The consultancy services include the provision of promotion and marketing services. The consultancy agreement with 13811 Advisory Pte Ltd has remained in place post the appointment of Mr Stott as a non-executive director of the Company on 26 February 2019. Under the agreement, Mr Stott is entitled to consultancy fees of SGD 3,000 per month. In addition, in accordance with the terms of the agreement, on 24 December 2018 Mr Stott was issued 600,000 unlisted options with a two year expiry period and an exercise price of $0.15.

During the prior year, the Company entered into a consultancy agreement with Mr Ratty for the provision of corporate advisory services which included advice on roadshows and communication with current and potential shareholders The agreement was terminated on 19 March 2018 when Mr Ratty was appointed as interim Managing Director and Chief Executive Officer. Under the agreement Mr Ratty was paid $20,529.

Signed in accordance with a resolution of the directors:

Stephen Belben
Non-Executive Chairman

Perth, Western Australia
Dated this 19th day of September 2019

Building a better working world

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Auditor's independence declaration to the directors of Adveritas Limited

As lead auditor for the audit of the financial report of Adveritas Limited for the financial year ended 30 June 2019, I declare 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.

This declaration is in respect of Adveritas Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

G Lotter
Partner
19 September 2019

GL:JG:ADVERITAS:041

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	2019 $	2018 $
Continuing Operations			
Revenue from contracts with customers	4	643,579	-
Other income	5(a)	1,616,883	73,311
Overheads			
Server hosting costs		(1,364,491)	(760,847)
Administration costs	5(b)	(486,317)	(621,614)
Compliance costs	5(c)	(276,479)	(331,720)
Consultancy costs	5(f)	(431,332)	(219,802)
Employment costs	5(d)	(5,235,288)	(4,777,622)
Occupancy costs		(278,327)	(202,391)
Marketing costs		(392,024)	(69,899)
Bad and doubtful debts expense		(41,463)	(1,000)
Foreign exchange differences		160,854	(127,754)
Finance costs	5(e)	-	(23)
Depreciation		(39,191)	(52,631)
		(8,384,058)	(7,165,303)
Other Expenses			
Share based payments	17	(503,233)	(111,621)
		(503,233)	(111,621)
Loss before income tax		(6,626,829)	(7,203,613)
Income tax benefit / (expense)	6	(17,591)	(47,971)
Loss for the year from continuing operations attributable to the members of Adveritas Limited		(6,644,420)	(7,251,584)
Discontinued Operations			
Profit / (Loss) after tax for the year from discontinued operations	14	92,223	(257,811)
Profit / (loss) for the year attributable to the members of Adveritas Limited		(6,552,197)	(7,509,395)
Other comprehensive income net of tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		3,627	79,601
Total comprehensive loss for the year attributable to the members of Adveritas Limited		(6,548,570)	(7,429,794)

Loss per share attributable to members of Adveritas Limited

		Cents	Cents
Basic earnings / (loss) per share – total operations	24	(5.03)	(9.35)
Basic earnings / (loss) per share – continuing operations	24	(5.10)	(9.03)
Diluted earnings / (loss) per share – total operations	24	(5.03)	(9.35)
Diluted earnings / (loss) per share – continuing operations	24	(5.10)	(9.03)

The Consolidated Statement of Profit and Loss and Other Comprehensive Income is to be read in conjunction with the notes to the financial statements.

For the year ended 30 June 2019

	Note	2019 $	2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	**2,046,991**	4,054,816
Trade and other receivables	8	**545,163**	76,597
Prepayments		**146,248**	71,521
Assets held for sale	14	-	1,154,520
TOTAL CURRENT ASSETS		**2,738,402**	5,357,454
NON-CURRENT ASSETS			
Trade and other receivables	8	**255,607**	-
Plant and equipment	9	**59,957**	70,704
Investments	10	**113,525**	-
Goodwill		**34,000**	34,000
TOTAL NON-CURRENT ASSETS		**463,089**	104,704
TOTAL ASSETS		**3,201,491**	5,462,158
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	**696,799**	691,122
Provisions	12	**326,254**	241,109
Income tax payable		-	29,970
Interest-bearing loans and borrowings	13	-	-
Liabilities directly associated with the assets held for Sale	14	-	715,917
TOTAL CURRENT LIABILITIES		**1,023,053**	1,678,118
NON-CURRENT LIABILITIES			
Provisions	12	**33,952**	18,129
TOTAL NON-CURRENT LIABILITIES		**33,952**	18,129
TOTAL LIABILITIES		**1,057,005**	1,696,247
NET ASSETS		**2,144,486**	3,765,911
EQUITY			
Contributed equity	15	**26,305,580**	22,586,507
Accumulated losses	18	**(28,082,260)**	(21,491,395)
Share based payment reserve	16	**3,905,193**	2,658,453
Foreign currency translation reserve	16	**15,973**	12,346
TOTAL EQUITY		**2,144,486**	3,765,911

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		1,080,608	17,990,379
Payments to suppliers and employees		(9,003,613)	(23,667,373)
Research and development grant income received		955,868	-
Other income received		41,981	120,201
Interest received		22,613	42,470
Interest paid		(943)	(78,916)
Income tax refund received		20,378	-
Income tax paid		(43,501)	(188,685)
Net cash flows used in operating activities	7	(6,926,609)	(5,781,924)
Cash flows from investing activities			
Purchase of plant and equipment		(28,362)	(26,030)
Proceeds on disposal of plant and equipment		904	-
Proceeds on disposal of controlled entity	14	557,201	-
Payment of withholding tax		(38,669)	-
Cash disposed of on sale of controlled entity	14	(348,192)	-
Net cash flows generated by / (used in) investing activities		142,882	(26,030)
Cash flows from financing activities			
Proceeds from issue of shares		4,725,826	3,000,000
Share issue costs paid		(263,247)	(120,000)
Advances received under debtor financing facility	13	61,398	4,367,301
Advances repaid under debtor financing facility	13	-	(5,381,480)
Net cash flows provided by financing activities		4,523,977	1,865,821
Net increase in cash and cash equivalents		(2,259,750)	(3,942,133)
Cash and cash equivalents at the beginning of the year		4,231,884	8,202,204
Effects of exchange rate changes on cash and cash equivalents		74,857	(28,187)
Cash and cash equivalents at the end of the year	7	2,046,991	4,231,884

The Consolidated Statement of Cash Flows is to be read in conjunction with the notes to the financial statements.

	Contributed equity $	Accumulated losses $	Share based payments reserve $	Foreign currency translation reserve $	Total equity $
Balance at 1 July 2018	**22,586,507**	**(21,491,395)**	**2,658,453**	**12,346**	**3,765,911**
Loss for the year	**-**	**(6,552,197)**	**-**	**-**	**(6,552,197)**
Other comprehensive income					
Foreign exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**3,627**	**3,627**
Total comprehensive income / (expenditure) for the year	**-**	**(6,552,197)**	**-**	**3,627**	**(6,548,570)**
Transactions with equity holders in their capacity as owners					
Ordinary shares issued	**4,797,082**	**-**	**-**	**-**	**4,797,082**
Share issue costs	**(1,091,339)**	**-**	**-**	**-**	**(1,091,339)**
Share based payments expense	**-**	**-**	**1,260,070**	**-**	**1,260,070**
Shares issued on vesting of performance rights	**13,330**	**-**	**(13,330)**	**-**	**-**
Withholding tax on dividends paid	**-**	**(38,668)**	**-**	**-**	**(38,669)**
	3,719,073	**(38,668)**	**1,246,740**	**-**	**4,927,144**
Balance at 30 June 2019	**26,305,580**	**(28,082,260)**	**3,905,193**	**15,973**	**2,144,486**
Balance at 1 July 2017	17,157,235	(13,982,000)	5,096,104	(67,255)	8,204,084
Loss for the year	-	(7,509,395)	-	-	(7,509,395)
Other comprehensive income					
Foreign exchange differences arising on translation of foreign operations	-	-	-	79,601	79,601
Total comprehensive income / (expenditure) for the year	-	(7,509,395)	-	79,601	(7,429,794)
Transactions with equity holders in their capacity as owners					
Ordinary shares issued	3,000,000	-	-	-	3,000,000
Share issue costs	(120,000)	-	-	-	(120,000)
Share based payments expense	-	-	111,621	-	111,621
Shares issued on vesting of performance rights	2,549,272	-	(2,549,272)	-	-
	5,429,272	-	(2,437,651)	-	2,991,621
Balance at 30 June 2018	22,586,507	(21,491,395)	2,658,453	12,346	3,765,911

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

1. CORPORATE INFORMATION

The consolidated financial report of Adveritas Limited **(Adveritas** or **Company)** and its controlled entities (collectively referred to as the **Group**) for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 19 September 2019.

Adveritas is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The Group's registered office is in Bentley, Western Australia.

The nature of operations and principal activities of the Group are the creation of innovative software solutions that leverage big data to drive business performance. During the current year, the Group commercially launched its ad fraud prevention software, TrafficGuard, as is its first available software as a service.

Information on the Group's corporate structure and related party relationships is provided in Note 21.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a summary of the significant accounting policies adopted in the preparation of this financial report. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

The financial report has been prepared on a historical cost basis and is presented in Australian dollars.

(b) Statement of Compliance

The consolidated financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board and comply with the International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

(c) Changes in accounting policies, disclosures, standards and interpretations

i. Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 30 June 2019 are outlined below.

AASB 16: Leases

AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Application date of standard: 1 January 2019 **Application date for the Group:** 1 July 2019

Impact on the Financial Statements: The impact of this new standard is still being assessed.

AASB Interpretation 23: Uncertainty over income tax treatment and other amending relevant standards

The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit / (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

Application date of standard: 1 January 2019 **Application date for the Group:** 1 July 2019

Impact on the Financial Statements: The impact of this new standard is still being assessed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies, disclosures, standards and interpretations (continued)

i. Accounting Standards and Interpretations issued but not yet effective (continued)

AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

AASB 2015-10 deferred the mandatory effective date (application date) of AASB 2014-10 so that the amendments were required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. AASB 2017-5 further defers the effective date of the amendments made in AASB 2014-10 to periods beginning on or after 1 January 2022.

Application date of standard: 1 January 2022 **Application date for the Group:** none to date

Impact on the Financial Statements: The impact of this new standard is still being assessed.

ii. New standards, interpretation and amendments adopted by the Group

The new standards, interpretations and amendments adopted by the Group in the current year are set out below.

The Group has not early adopted any of the accounting standards that have been issued but are not yet effective as of balance date. The Group will assess the impact of these new standards during the reporting period to which they are applicable

AASB 15 Revenue from Contracts with Customers

The Group has applied, for the first time, AASB15 "Revenue from Contracts with Customers".

AASB 15 supersedes AASB 118 "Revenue" and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Under AASB 15, the revenue recognition model will change from one based on the transfer of risk and reward of ownership to the transfer of control of ownership.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies, disclosures, standards and interpretations (continued)

ii. New standards, interpretation and amendments adopted by the Group (continued)

AASB 15 Revenue from Contracts with Customers (continued)

On 31 July 2018, the Group disposed of its performance marketing business which had historically been its main revenue generating operation. Consequently, adoption of AASB 15 has had no significant impact on the Group and no retrospective adjustments have been made as the Group has adopted AASB 15 using the cumulative effect method. The Group elected to apply the standard only to contracts that were not completed contracts at the initial date of application. The comparative information has not been restated and continues to be reported under AASB 118 and related interpretations.

The Group has disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount and timing of revenue and cash flows are affected by economic factors. Refer to Note 4 for the disclosure on disaggregated revenue.

The Group's revised revenue accounting policy is set out below:

The Group is in the business of providing its fraud mitigation software as a service to its customers. Revenue from contracts with customers is recognised over time as the service is delivered to the customer at an amount that reflects the consideration to which the Group is entitled under the terms of the contract for that service.

The normal credit term is 30 to 60 days upon delivery of the service.

The Group has concluded that it is the principal in its revenue arrangements because it controls the service before delivering it to the customer.

Contracts with customers may include a variable consideration in addition to the fixed monthly fee. The variable consideration comprises a fee for each block of transactions that exceeds the transaction allowance included in the fixed monthly fee. The variable consideration is recognised at the point in time when it can be reliably estimated and the constraint applied.

AASB 9 Financial Instruments

AASB 9 "Financial Instruments" replaces aspects of AASB 139 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied AASB 9 retrospectively, with the initial application date of 1 July 2018 and has elected not to restate comparative information which continues to be reported under AASB 139.

AASB 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Group has adopted AASB 9 retrospectively in accordance with the standard. Changes in accounting policies resulting from the adoption of AASB 9 did not have a material impact on the consolidated financial statements.

AASB 9 largely retains the existing requirements of AASB 139 for the classification and measurement of financial liabilities, however, it eliminates the previous AASB 139 categories for financial assets held to maturity, loans and receivables and available for sale. Under AASB 9, on initial recognition a financial asset is classified as:

- Amortised cost;
- Fair Value through Other Comprehensive Income ("FVOCI") - debt investment;
- FVOCI - equity investment; or
- Fair Value through Profit or Loss ("FVTPL")

The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. For financial assets measured at amortised cost, these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies, disclosures, standards and interpretations (continued)

(ii) New standards, interpretation and amendments adopted by the Group (continued)

AASB 9 Financial Instruments (continued)

As of 1 July 2018, the Company's financial instruments consist of cash and cash equivalents, trade and other receivables, unlisted investments and trade and other payables.

Class of financial instrument presented in the consolidated statement of financial position	Original measurement category under AASB 139 (i.e. prior to 1 July 2018)	New measurement category under AASB 9 (i.e. from 1 July 2018)	Carrying value as at 30 June 2018	Carrying value as at 1 July 2018
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	$4,054,816	$4,054,816
Trade and other receivables	Loans and receivables	Financial assets at amortised cost	$148,118	$148,118
Investment	Not applicable	Financial assets at fair value through other comprehensive income	-	-
Trade and other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	$691,122	$691,122

(d) Basis of Consolidation

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income **(OCI)** are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segments and assess their performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues.

Operating segments have been identified based on the information presented to the chief operating decision makers, being the executive management team.

Information about other business activities are combined and disclosed in a separate category called "other".

(f) Foreign Currency Translation

i. Functional and presentation currency

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

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

iii. Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(g) Plant and Equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the profit or loss during the reporting period in which they are incurred.

Depreciation is calculated over the estimated useful life of the asset as follows:

	Method	Useful Lives
Plant and equipment	Straight Line	1.5 – 2.5 years
Leasehold improvements	Straight Line	the term of the lease
Office equipment	Straight Line	2 – 10 years
Computer software and hardware	Straight Line	1.5 – 4 years

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of non-financial assets

Non-financial assets comprise of plant and equipment and goodwill. Non-financial assets are tested for impairment annually and whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value (less costs of disposal) and value in use. For the purposes of assessing impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Impairment losses relating to goodwill cannot be reversed in future periods.

(i) Cash and Cash Equivalents

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

(j) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the consolidated statement of profit and loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(k) Leases

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

(l) Revenue from contracts with customers

Accounting policy adopted and applied in the current year

In the current year, the Group has been in the business of providing its fraud mitigation software as a service to its customers. Revenue from contracts with customers is recognised over time as the service is delivered to the customer at an amount that reflects the consideration to which the Group is entitled under the terms of the contract for that service. The Group has concluded that it is the principal in its revenue arrangements because it controls the service before delivering it to the customer.

The Group's performance obligation is the delivery of its software as a service to the customer over the period of time that was agreed upon with the customer. The customer is required to pay the consideration agreed upon in the service agreement. The normal credit term is 30 to 60 days upon delivery of the service.

Contracts with customers may include a variable consideration in addition to the fixed monthly fee. The variable consideration comprises a fee for each block of transactions that exceeds the transaction allowance included in the fixed monthly fee. The variable consideration is recognised at the point in time when it can be reliably estimated and the constraint applied.

Taxes collected from customers and remitted to government authorities are excluded from revenue.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for services transferred to the customer. If the Group performs by transferring services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer further to the accounting policy on financial assets (Note 2(t)) for details on initial recognition, subsequent measurement and impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Revenue from contracts with customers (continued)

Accounting policy applied in the prior year (continued)

Contract liabilities

A contract liability is the obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Cost to obtain a contract

The Group pays sales commission to its employees for pre-determined milestones in relation to sales of is software services. The Group has elected to apply the optional practical expedient for costs to obtain a contract which allows the Group to immediately expense sales commissions because the amortisation period of the asset that the Group otherwise would have used is one year or less.

Accounting policy applied in the prior year

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

The Group recognised revenue when the amount of revenue could be reliably measured, it was probable that future economic benefits would flow to the Group and the specific criteria described below for each of the Group's activities had been met:

i. Advertising income

Revenue from advertising services was recognised when the services have been performed and the fair value of the consideration for the services provided could be reliably measured.

ii. Interest income

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

(m) Government grants

Government grants are recognised as other income where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

(n) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

(o) Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Non-current assets held for sale and discontinued operations (continued)

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations; and
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

(p) Employee Benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(q) Income Tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company / Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the consolidated statement of profit and loss and other comprehensive income except when it relates to items credited or debited directly to equity, in which case the current and deferred tax is also recognised directly in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Contributed Equity

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

(s) Goods and Services Tax (GST)

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

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

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

(t) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Policy prior to 1 July 2018 (Before adoption of AASB 9)

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that were known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue were considered objective evidence of impairment. The amount of the impairment loss was the receivables carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

Trade and other payables

Trade payables and other payables were carried at amortised cost and due to their short-term nature, were not discounted.

Interest-bearing loans and borrowings

All loans and borrowings were initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, ineptest-bearing loans and borrowings were subsequently measured at amortised cost using the effective interest method.

(u) Financial Assets

Policy applied from 1 July 2018 (Upon adoption of AASB 9)

Initial recognition and measurement

Financial assets within the scope of AASB 9 are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The classification of financial assets that are debt instruments at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under AABS 15. Refer to the accounting policy on revenue at Note 2(k).

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Financial assets at amortised cost

This category is the most relevant category to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Financial Assets (continued)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and other receivables.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Financial assets at amortised cost

For contract assets, trade and other receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or as loans and borrowings, or as payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification. The Group's only financial liabilities are trade and other payables.

Trade and other payables represent liabilities for goods or services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are subsequently measured at amortised cost using the effective interest method and are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit and loss and other comprehensive income.

(w) Share-based payments

Consultants and employees (including senior executives) of the Group receive payment or remuneration in the form of share-based payments, whereby the consultants or the employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 17.

The cost of is recognised in the share based payments expense (Note 17), together with a corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled.

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based arrangement, or is otherwise beneficial to the recipient, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted loss per share (further details are given in Note 24).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Earnings / loss per share

Basic earnings / loss per share is calculated as net profit or loss attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares of the Company, adjusted for any bonus element.

Diluted loss per share is calculated as net profit or loss attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(y) Significant accounting judgements, estimates and assumptions

The directors made estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and assumptions made have been described below:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- The Group determined that revenue from its fraud mitigation software service is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group.
- The Group has determined that it is the principal in its agreements with its customers because it has control over the service before delivering it to the customer, it is primarily responsible for fulfilling the promise to deliver the service, and it is responsible for establishing the price for the service to be delivered.
- Certain contracts with customers contain a variable consideration in relation to each block of transactions that exceeds the transaction allowance included in the fixed monthly fee. The Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled. The Group has determined that the most likely amount method is appropriate.

Share-based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The estimate also requires making assumptions about the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 17.

Income Taxes

Judgement is required in assessing whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. Judgements are also required about the application of income tax legislation.

The Group has $12,755,519 (2018: 7,795,721) of tax losses carried forward. Although these losses do not expire, they may not be capable of being used to offset taxable income elsewhere in the Group. The Group has neither taxable temporary differences nor tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets in respect of the tax losses carried forward.

Further details on taxes are disclosed in Note 6.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Significant accounting judgements, estimates and assumptions (continued)

Impairment of non-financial assets

The Group tests annually whether non-financial assets have suffered any impairment, in accordance with the accounting policy stated at Note 2(g). Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next two years. The assumptions used in the budget, such as growth rates, and the discount rate used are subject to judgement and estimates.

The Group has not suffered any impairment losses in the current year (2018: Nil).

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade and other receivables and contract assets. The provision rates are based on days past due and adjusted for forward looking expectations.

(z) Going Concern

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

During the year ended 30 June 2019, the Group incurred a net loss after tax of $6,562,197 and a net cash outflow from operating activities of $6,296,609. The cash and cash equivalents balance as at 30 June 2019 was $2,046,091. The Group's net current asset position at 30 June 2019 was $1,715,349.

The ability of the Group to pay its trade creditors, continue its planned activities and maintain its going concern status is dependent on the Group generating sufficient revenues and raising additional funds, as required. As at the date of this report, the directors are satisfied that there are reasonable grounds to believe that the Group will be able to operate as a going concern by raising further funds as required. In forming this view, the directors have considered the ability of the Company to raise funds by way of a capital raising.

There are inherent uncertainties associated with the successful completion of a capital raising. Should the directors not be able to manage these inherent uncertainties and successfully secure funding, there would be significant uncertainty as to whether the Group would be able to meet its debts as and when they fall due and therefore continue as a going concern.

These financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts nor to the amounts or classifications of liabilities that might be necessary should the Group not be able to continue as a going concern.

3. SEGMENT INFORMATION

The Company's focus has shifted away from performance marketing and is instead directed towards the commercialisation of its core product, TrafficGuard. The Company disposed of its performance marketing division on 31 July 2018. This division has been designated as a discontinued operation in the financial information reported for the prior period.

The Group's only operating segment is its technology division which is responsible for the development and maintenance of the Group's proprietary software platforms, nxus and TrafficGuard. These activities are conducted primarily at the Group's Australian head office and at its office in Croatia.

Costs allocated to the "other" includes:

- Occupancy and general administration costs for the Perth head office and the offices in Singapore and New York;
- Employment costs relating to the sales and marketing personnel located in Australia, Singapore and the United States; and
- Employment costs relating to corporate and management team located in Perth.

The board of directors review internal management reports on a monthly basis that are consistent with the information provided in the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows. As a result, no reconciliation is required because, in aggregate, the information as presented is what is used by the board to make strategic decisions. No operating segments have been aggregated.

3. SEGMENT INFORMATION (continued)

Segment results for the year ended 30 June 2019

	Technology $	Other $	Consolidated $
Revenue	643,579	-	643,579
Other income	974,388	618,159	1,592,547
Overheads	(4,765,797)	(3,579,070)	(8,344,867)
Other expenses	-	(503,233)	(503,233)
EBITDA	(3,147,830)	(3,464,144)	(6,611,974)
Reconciliation of reportable segment loss			
EBITDA	(3,147,830)	(3,464,144)	(6,611,974)
Interest income	-	24,336	24,336
Interest expense	-	-	-
Depreciation	(33,452)	(5,739)	(39,191)
Income tax expense	(17,591)	-	(17,591)
Loss after income tax	(3,198,873)	(3,445,547)	(6,644,420)

Segment results for the year ended 30 June 2018

	Technology $	Other $	Consolidated $
Other income	30,839	-	30,839
Overheads	(3,807,822)	(3,304,827)	(7,112,649)
Other expenses	-	(111,621)	(111,621)
EBITDA	(3,776,983)	(3,416,448)	(7,193,431)
Reconciliation of reportable segment loss			
EBITDA	(3,776,983)	(3,416,448)	(7,193,431)
Interest income	-	42,472	42,472
Interest expense	(23)	-	(23)
Depreciation	(48,915)	(3,716)	(52,631)
Income tax (expense) / benefit	(47,971)	-	(47,971)
Loss after income tax	(3,873,892)	(3,377,692)	(7,251,584)

Segment assets and liabilities at 30 June 2019

	Technology $	Other $	Consolidated $
Assets	656,475	2,545,016	3,201,491
Liabilities	763,156	293,849	1,057,005

3. SEGMENT INFORMATION (continued)

Segment assets and liabilities at 30 June 2018

	Continuing operations		Discontinued operation	
	Technology	Other	Performance Marketing	Consolidated
	$	$	$	$
Assets	734,607	3,573,031	1,154,520	5,462,158
Liabilities	551,150	429,180	715,917	1,696,247

Geographic information

	Consolidated	
	2019	2018
	$	$
Revenue from external customers by customer location:		
Australia	-	-
Foreign countries (refer to note 4.1 for further details)	643,579	-
Total	643,579	-

Included in revenue from foreign countries is revenue arising from sales in the technology segment from one customer which amounted to $572,560 (2018: Nil).

	Consolidated	
	2019	2018
	$	$
Non-current operating assets by location		
Australia	87,695	97,688
United States	1,969	-
Asia Pacific	2,506	2,111
Other	1,787	4,905
Total	93,957	104,704

Non-current assets for this purpose consist of property, plant and equipment and goodwill.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

4.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Consolidated	
	2019 $	2018 $
Revenue by type of goods or services		
Revenue from the sale of software as a service	643,579	-
Total revenue from contracts with customers	643,579	-
Revenue by timing of revenue recognition		
Services transferred over time	643,579	-
Total revenue from contracts with customers	643,579	-
Revenue by geographical region		
North America	572,560	-
Latin America	53,633	-
Asia Pacific	9,214	-
Middle East	8,171	-
Total revenue from contracts with customers	643,579	-

5. OTHER INCOME AND EXPENSE ITEMS

This note provides a breakdown of the items included in 'other income' and material overheads shown in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

	Consolidated	
	2019 $	2018 $
(a) Other income		
Research and development grant [1]	955,868	-
Profit on disposal of controlled entity (refer to Note 14)	594,698	-
Interest income	24,336	-
Miscellaneous income	41,981	73,311
	1,616,883	73,311
(b) Administration costs		
IT costs	247,009	266,896
Office and general administration costs	148,761	182,377
Travel	90,547	172,341
	486,317	621,614

5. OTHER INCOME AND EXPENSE ITEMS (continued)

	Consolidated 2019 $	Consolidated 2018 $
(c) Compliance costs		
Accounting fees	11,160	11,150
ASX compliance fees	137,992	136,207
Tax advice and compliance fees	116,737	182,653
Regulatory body fees	10,590	1,710
	276,479	331,720
(d) Employment costs		
Salaries and wages [2]	4,136,461	3,639,078
Ancillary employment costs	797,717	878,893
Other	301,110	259,651
	5,235,288	4,777,622
(e) Finance costs		
Interest expense	-	23
	-	23
(f) Consultancy costs		
Legal	184,770	76,547
Investor relations	137,167	111,592
Other	109,395	31,663
	431,332	219,802

1. The research and development grant has been received from the Australian government as the Group has undertaken qualifying research and development activities within Australia. Grant income is recognised when the funds are received and all research and development expenses are recognised when incurred. The grant income recognised in the current year relates to FY18 research and development activities and was received on 11 December 2018.
2. Note 25 provides details on directors and executives' remuneration.

6. INCOME TAX EXPENSE

The Group calculates the period income tax benefit using the tax rate that would be applicable to the expected total annual earnings.

The income tax benefit applicable to the accounting loss before income tax at the statutory income tax rate is reconciled to the income tax benefit at the Company's effective income tax rate for the period below:

	Consolidated 2019 $	Consolidated 2018 $
Major components of income tax expense for the year are:		
Income statement		
Current income tax		
Current income tax charge	6,138	47,971
Adjustments in respect of previous years:		
- Under provision for income tax in previous years	11,453	-
Deferred income tax		
Deferred income tax charge relating to origination and reversal of temporary differences	-	-
Income tax expense reported in income statement	17,591	47,971

6. INCOME TAX EXPENSE (continued)

Reconciliation

A reconciliation of income tax expense / (benefit) applicable to accounting loss before income tax at the statutory income tax rate to income tax expense / (benefit) at the Company's effective income tax rate for the year is as follows:

	Consolidated	
	2019 $	2018 $
Accounting loss before tax from continuing operations	(6,626,829)	(7,203,613)
Accounting profit / (loss) before tax from discontinued operations	25,970	(743,257)
	(6,600,859)	(7,946,870)
Income tax expense / (benefit) at the statutory income tax rate of 27.5% (2018: 27.5%)	(1,815,236)	(2,185,390)
Adjusted for:		
Under / (over) provision for income tax in previous years	(54,802)	(485,446)
Non-deductible share-based payment expenses	138,389	30,696
Non-deductible entertainment expenses	3,088	4,878
Other non-deductible expenses	10,209	28,038
Profit on disposal of controlled entity	(163,542)	-
Other non-assessable amounts	(269,222)	-
Difference between the Australian statutory income tax rate and the statutory income tax rate applicable to foreign operations	(2,483)	(17,989)
Tax losses and temporary differences not recognised as a deferred tax asset (Australian tax: $1,930,464 (FY18: $1,837,304, Canadian tax: $19,653 (FY18: $175,987), Singapore tax: $130,998 (FY18: $174,447) USA tax: $23,821 (FY18: Nil))	2,104,936	2,187,738
	(48,663)	(437,475)
Income tax expense reported in income statement	17,591	47,971
Income tax benefit attributable to discontinued operation	(66,254)	(485,446)
	(48,663)	(437,475)

Tax Consolidation

The Company and its 100% owned Australian incorporated subsidiaries formed a tax consolidated group with effect from 1 July 2015.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Consolidated	
	2019 $	2018 $
Revenue losses	11,993,184	7,601,207
Capital losses	762,336	194,514
Temporary differences	2,157,326	1,931,765
	14,912,845	9,727,486
Unrecognised tax losses at 27.5% (2018: 27.5%)	3,507,768	2,675,059

Tax losses do not expire under current legislation.

Deferred tax assets have not been recognised in respect of tax losses or temporary differences because it is not certain that future taxable profit will be available in the near term against which the Group can utilise the benefits.

6. INCOME TAX EXPENSE (continued)

Availability of Tax Losses

The availability of the Group's tax losses for future periods is uncertain and will be dependent on strict requirements being satisfied with respect to continuity of ownership and the same business test imposed by income tax legislation.

The recoupment of tax losses as at 30 June 2019 is contingent upon the following:

- entities in the Group deriving future assessable income of a nature and of an amount sufficient to enable the benefit from the losses to be realised;
- the conditions for deductibility imposed by income tax legislation continuing to be complied with; and
- there being no changes in income tax legislation which would adversely affect the entities from realising the benefit from the losses.

7. CASH AND CASH EQUIVALENTS

	Consolidated 2019 $	Consolidated 2018 $
Cash at bank and on hand	2,046,991	4,054,816

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:

	Consolidated 2019 $	Consolidated 2018 $
Cash at bank and on hand	2,046,911	4,054,816
Cash at bank and on hand attributable to discontinued operations	-	177,068
Cash and cash equivalents	2,046,911	4,231,884

Cash at bank and on hand earns interest at floating rates based on daily at call bank deposit and savings rates. Short-term deposits are for a period of 1 month and earn interest at the respective short-term deposit rate.

Reconciliation from the loss after tax to the net cash flows from operations

	Consolidated 2019 $	Consolidated 2018 $
Net profit / (loss)	(6,552,197)	(7,509,395)
Adjustments for non-cash items:		
Bad debts written off	-	127,572
Depreciation	39,191	69,053
Profit on disposal of controlled entity	(594,697)	-
Profit on disposal of plant and equipment	(904)	-
Share based payments	503,233	111,621
Unrealised foreign exchange differences	(154,711)	116,550
Changes in assets and liabilities:		
Decrease / (Increase)/ in trade receivables [1]	(98,191)	2,389,147
(Increase) / decrease in other receivables	1,559	(59,599)
(Increase) / decrease in prepayments	(73,513)	107,454
Increase in trade and other payables [1]	(21,564)	(527,655)
Increase in provision for employee entitlements	96,971	19,487
Increase / (decrease) in provision for income tax	(71,786)	(626,159)
Net cash generated by operating activities	(6,926,609)	(5,781,924)

1. Movement is stated after adjusting for the effects of movements in foreign exchange rates from the beginning of the financial year to the end of the financial year.

8. TRADE AND OTHER RECEIVABLES

	Consolidated 2019 $	2018 $
CURRENT		
Trade receivables (a)	151,457	30,895
Allowance for expected credit losses (b)	(35,603)	-
Net trade receivables	115,854	30,895
Deferred consideration receivable (refer to Note 14)	341,720	-
Income tax refund receivable	33,580	-
Sundry receivables	2,802	831
Deposits	35,984	35,955
GST receivables	15,223	8,916
	545,163	76,597
NON-CURRENT		
Deferred consideration receivable (e)	255,607	-
	255,607	-

(a) Trade receivables

Trade receivables are amounts due from customers for the sale of the Group's software as a service. Trade receivables are generally due for settlement within 45 days and are therefore classified as current assets. The Group's accounting policies for trade receivables are outlined in Notes 2(l) and 2(v).

(b) Allowance for expected credit losses

The movement in the allowance for expected credit losses is set out below:

	Consolidated 2019 $	2018 $
Balance at 1 July	-	-
Provision for expected credit losses: trade receivables	35,603	-
Balance at 30 June	35,603	-

(c) Fair values of trade and other receivables

The fair value of trade and other receivables is assumed to approximate their carrying amounts due to their relatively short-term in nature.

(d) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 19.

(e) Deferred consideration receivable

The deferred consideration receivable relates to the disposal of Mpire Network Inc. on 31 July 2018. This amount has been classified as non-current as the Group does not expect to receive it in the 12 months following the reporting date. Refer further to Note 14.

9. PLANT AND EQUIPMENT

	Consolidated: 2019			
	Leasehold improvements $	Computer Equipment $	Office Equipment $	Total $
Cost	**80,393**	**113,954**	**85,409**	**279,756**
Accumulated depreciation	**(45,954)**	**(97,508)**	**(76,337)**	**(219,799)**
Carrying amount at 30 June	**34,439**	**16,446**	**9,072**	**59,957**
Reconciliation				
Carrying amount at 1 July	**50,517**	**12,350**	**7,837**	**70,704**
Additions	**-**	**19,482**	**8,881**	**28,363**
Impact of foreign exchange	**-**	**-**	**81**	**81**
Depreciation	**(16,078)**	**(15,386)**	**(7,727)**	**(39,191)**
Carrying amount at 30 June	**34,439**	**16,446**	**9,072**	**59,957**

	Consolidated: 2018			
	Leasehold improvements $	Computer Equipment $	Office Equipment $	Total $
Cost	80,393	94,473	79,462	254,328
Accumulated depreciation	(29,876)	(82,123)	(71,625)	(183,624)
Carrying amount at 30 June	50,517	12,350	7,837	70,704
Reconciliation				
Carrying amount at 1 July	66,596	28,137	48,053	142,786
Additions	-	10,127	15,903	26,030
Impact of foreign exchange	-	-	(3,369)	(3,369)
Assets held for sale	-	-	(25,690)	(25,690)
Depreciation: discontinued operation	-	-	(16,422)	(16,422)
Depreciation: continuing operations	(16,079)	(25,914)	(10,638)	(52,631)
Carrying amount at 30 June	50,517	12,350	7,837	70,704

Refer to Note 2(f) for further details on the Group's accounting policies for plant and equipment.

10. INVESTMENTS

	Consolidated	
	2019 $	2018 $
Unlisted equity investment	113,525	-
	113,525	-

On 31 July 2018, the Company completed the sale of 90% of its equity interest in Mpire Network Inc. The Company has recognised its remaining 10% equity interest at fair value.

11. TRADE AND OTHER PAYABLES

	Consolidated	
	2019 $	2018 $
Trade payables	372,637	230,328
Statutory liabilities	165,689	312,681
Other payables	158,473	148,113
	696,799	691,122

Trade and other payables are non-interest bearing and are unsecured. Balances are usually settled within 30 days of recognition.

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

12. PROVISIONS

	Consolidated	
	2019 $	2018 $
CURRENT		
Employee benefits	326,254	241,109
NON-CURRENT		
Employee benefits	33,952	18,129

The current provision for employee benefits relates to the Group's liability for annual leave and long service leave. The non-current provision for employee benefits relates only to the Group's liability for long service leave.

12. PROVISIONS (continued)

Movement in the provisions for employee benefits for continuing operations is as follows:

	Consolidated			
	2019		2018	
	Annual leave $	Long service leave $	Annual leave $	Long service leave $
Balance at 1 July	**155,365**	**103,873**	97,900	98,968
Amounts provided for during the year	**313,010**	**28,495**	242,772	4,905
Unused leave balances paid during the year	**(57,684)**	**-**	(43,908)	-
Leave taken during the year	**(182,853)**	**-**	(141,399)	-
Balance at 30 June	**227,838**	**132,368**	155,365	103,873
The balance is spilt as follows:				
Current potion	**227,838**	**98,416**	155,365	85,744
Non-current portion	**-**	**33,952**	-	18,129

13. INTEREST BEARING LOANS AND BORROWINGS

The Group had no interest-bearing loans or borrowings as at 30 June 2019. The amount of interest-bearing loans and borrowings owing at 30 June 2018 has not been separately presented on the face of the consolidated statement of financial position as it has been included with liabilities directly associated with assets held for sale. Refer to Note 14 for further information.

Interest-bearing loan and liabilities at 30 June 2018 comprised amounts owing under a debtor factoring facility. The debtor factoring facility enabled the Company's Canadian subsidiary, Mpire Network Inc, to receive cash receipts in advance on certain of its customer invoices which were purchased by the lender. It was a rolling loan facility which was repaid as debtors settled their accounts. The amount that could be advanced was limited to 90% of the face value of factored invoices with a maximum credit limit of USD $3,600,000. A fixed fee of 1.0% of the customer invoice purchased was charged by the lender. Where the customer invoice remained unpaid after 30 days, a further fee of 0.033% of the invoice value was charged per day thereafter that the invoice remained unpaid. In addition to the fees, interest was payable on the average daily balance drawn based on the Bank of Montreal prime rate plus 3%. In the event the customer invoice remained unpaid for 90 days from invoice date, Mpire Network was required to repay to the lender all advances received for that invoice plus all related fees, interest and costs associated with that invoice. Mpire Network was not obligated to factor a minimum value of customer invoices over the life of the facility.

	2019 $	2018 $
Debt factoring facility balance at 30 June	-	82,395
	-	82,395

The transferred financial assets that are not derecognised in their entirety:

	2019 $	2018 $
Carrying amounts of assets (trade receivables)	-	91,404
Carrying amounts of associated liabilities (amounts owing under the facility)	-	(82,395)

For those liabilities that have recourse only to the transferred asset

	2019 $	2018 $
Fair value of assets (trade receivables)	-	91,404
Fair value of associated liabilities (amounts owing under the facility)	-	(82,395)
Net position	-	9,009

13. INTEREST BEARING LOANS AND BORROWINGS (continued)

Financing activities for the year was as follows:

	2019 $	2018 $
Factoring facility balance at 1 July	82,395	1,096,574
Cash flows during the year	61,398	(1,014,179)
Balance disposed of on sale of controlled entity (refer to Note 14)	(143,793)	-
Factoring facility balance at 30 June	-	82,395

14. DISCONTINUED OPERATION

In May 2018, the Company, via its wholly owned subsidiary, Livelynk Group Pty Ltd (Livelynk), entered into an indicative, confidential and non-binding term sheet with Canadian performance marketplace, ClearPier Inc (ClearPier), pursuant to which Livelynk agreed to sell 90% of its equity interest in Mpire Network Inc (Mpire Network).

At 30 June 2018, Mpire Network was classified as a disposal group held for sale and as a discontinued operation.

On 31 July 2018, Livelynk completed the sale of 90% of Mpire Network, to ClearPier for a cash consideration of US$666,817 ($900,000), of which U$370,454 ($500,000) was received upfront and US$296,363 ($400,000) was deferred. The purchase consideration also included a maximum of US$4,445,442 ($6,000,000) under a 3 year profit share agreement. In addition, under the terms of the Sale and Purchase Agreement, Livelynk is due to receive a working capital adjustment amount of US$163,158 ($220,214).

The AUD balances noted above are the AUD values determined at the time the sale was completed. As the deferred consideration and working capital adjustment amounts are denominated in USD, the balances owing at 30 June 2019 have been retranslated at the spot rate on 30 June 2019. This has resulted in an unrealised foreign exchange gain of $34,314 being recognised in the consolidated statement of profit and loss and other comprehensive income.

A pre-tax profit of $594,698 has been recognised in the consolidated statement of profit or loss and other comprehensive income.

As at 30 June 2019, the deferred consideration and working capital adjustment amounts owing have been classified as follows:

Current trade and other receivables	$341,719
Non-current trade and other receivables	$255,607

The results of the discontinued operation are presented below:

	2019 $	2018 $
Revenue	564,386	15,483,256
Cost of services rendered	(339,079)	(13,050,446)
Gross Profit	225,307	2,432,810
Other income	-	89,362
Administration costs	(21,689)	(249,127)
Compliance costs	(12,931)	(6,005)
Consultancy costs	(6,446)	(113,713)
Employment costs	(99,656)	(2,381,343)
Occupancy costs	(6,444)	(76,121)
Marketing costs	(1,905)	(305,680)
Bad and doubtful debts expense	13,524	12,535
Foreign exchange differences	(62,848)	(50,660)
Finance costs	(943)	(78,893)
Depreciation	-	(16,422)
Overheads	(199,338)	(3,265,429)
Profit / (loss) before income tax	25,969	(743,257)
Income tax benefit / (expense)	66,254	485,446
Profit / (loss) for the year	92,223	(257,811)

14. DISCONTINUED OPERATION (continued)

The net cash flows generated from the sale of Mpire Network are as follows:

	$
Cash proceeds received: upfront purchase consideration	500,000
Cash proceeds received: deferred purchase consideration	57,201
Cash sold as part of the disposal of Mpire Network	(348,192)
	209,009

The net cash flows incurred by Mpire Network are as follows:

	2019 $	2018 $
Operating activities	(102,509)	613,177
Investing activities	-	(4,692)
Financing activities	274,053	(2,022,110)
Net cash (outflow) / inflow	171,544	(1,413,625)

As Mpire Network was disposed of prior to 30 June 2019, the assets and liabilities classified as held for sale as at 30 June 2018 are no longer included in the consolidated statement of financial position as at 30 June 2019.

The assets and liabilities classified as held for sale as at 30 June 2018 are set out below:

	2018 $
Assets	
Cash and short term deposits	177,068
Trade and other receivables	951,762
Plant and equipment	25,690
Assets held for sale	1,154,520
Liabilities	
Trade and other payables	(613,163)
Provisions	(20,359)
Interest-bearing loans and borrowings	(82,395)
Liabilities directly associated with assets held for sale	(715,917)

15. CONTRIBUTED EQUITY

(a) Issued capital

	Consolidated	
	2019 $	2018 $
Ordinary shares, fully paid	**26,305,580**	22,586,507

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. At shareholder meetings, each ordinary share is entitled to one vote in proportion to the paid-up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

15. CONTRIBUTED EQUITY (continued)

(b) Movements in share capital

	2019		2018	
	Number	$	Number	$
Shares on issue at 1 July	88,797,667	22,586,507	65,807,669	17,157,235
Shares issued on conversion of Class B Performance Rights	-	-	7,500,000	2,549,272
Shares issued on conversion of Class D Performance Rights	33,332	13,330	-	-
Shares issued under an Employee Incentive Plan	-	-	196,664	-
Shares issued on exercise of options	4,500	450	-	-
Shares issued pursuant to an Entitlements Issue	53,278,600	2,397,537	-	-
Shares issued pursuant to a placement	15,926,302	2,327,840	15,000,000	3,000,000
Shares issued as consideration for placement services	858,523	71,256	293,334	66,000
Share issue costs [1]	-	(1,091,340)	-	(186,000)
Shares on issue at 30 June	158,898,924	26,305,580	88,797,667	22,586,507

1. **Share issue costs is made up as follows:**

	Consolidated	
	2019 $	2018 $
Cash fees paid	(263,247)	(120,000)
Fair value of options issued as consideration for underwriting services	(756,837)	-
Fair value of shares issued as consideration for placement services	(71,256)	(66,000)
	(1,091,340)	(186,000)

(c) Capital Risk Management

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2019 and 30 June 2018. The financial information presented below for the year ended 30 June 2018 excludes amounts classified as assets held for sale and amounts classified as liabilities associated with assets held for sale.

	Consolidated	
	2019 $	2018 $
Trade and other payables (Note 11)	696,799	691,122
Less: cash and cash equivalents (Note 7)	(2,046,911)	(4,054,816)
Net (Debt) / Capital	(1,350,112)	(3,363,694)
Equity	26,305,580	22,586,507
Total Capital	26,305,580	22,586,507
Capital and net debt	24,955,468	19,222,813
Gearing ratio	(5%)	(17%)

16. RESERVES

	Consolidated 2019 $	2018 $
Foreign currency translation reserve	15,973	12,346
Share based payments reserve	3,905,193	2,658,453
Foreign currency translation reserve		
Balance at beginning of year	12,346	(67,255)
Foreign exchange differences arising on translation of foreign operations	3,627	79,601
Balance at end of year	15,973	12,346
Share based payments reserve		
Balance at beginning of year	2,658,453	5,096,104
Fair value of options issued to directors	207,214	45,616
Fair value of options issued as consideration for underwriting services	756,837	-
Fair value of options issued as consideration for investor relations services	65,004	-
Fair value of options issued as consideration for consultancy services	33,345	
Fair value of Class B Performance Rights converted into ordinary shares	-	(2,549,272)
Fair value of Class D Performance Rights recognised		6,109
Fair value of Class D Performance Rights converted into ordinary shares	(13,330)	-
Fair value of Class E Performance Rights recognised	-	6,415
Fair value of Class F Performance Rights recognised	-	25,659
Fair value of Class G Performance Rights recognised	-	3,564
Fair value of Class H Performance Rights recognised	3,745	-
Fair value of Class I Performance Rights recognised	7,489	-
Fair value of Class J Performance Rights recognised	7,489	-
Fair value of Class K Performance Rights recognised	14,980	-
Fair value of Class L Performance Rights recognised	22,469	-
Fair value of Class M Performance Rights recognised	11,234	-
Fair value of Class N Performance Rights recognised	11,234	-
Fair value of Class O Performance Rights recognised	14,980	-
Employee share scheme expense	18,996	24,258
Employee option scheme	85,054	-
Balance at end of year	3,905,193	2,658,453

Nature and purpose of reserves

Foreign currency reserve

The foreign currency translation reserve is used to recognise foreign currency exchange differences arising on translation of functional currency to presentation currency for foreign operations.

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of equity-settled share-based payments provided to employees, consultants and other third parties.

17. SHARE BASED PAYMENTS

The share-based payments expense recognised during the year is comprised as follows:

	2019		2018	
	Number granted	**$**	**Number granted**	**$**
Options granted to non-executive directors	3,000,000	207,214	500,000	45,616
Options granted as consideration for investor relations services	1,000,000	65,004	-	-
Options granted as consideration for consultancy services	600,000	33,345	-	-
Options granted under employee option plan [1]	2,850,000	85,054	-	-
Performance rights granted (class D) [1]	-	-	-	6,109
Performance rights granted (classes E – G) [1,2]	-	-	1,200,000	35,638
Performance rights granted (classes H – O) [1]	14,850,000	93,620	-	-
Shares issued under employee share plan [1]	-	18,996	-	24,258
Balance at the end of financial year		503,233		111,621

Notes

1. There are vesting conditions attached to these securities. The fair value at grant date is recognised over the vesting period.
2. These performance rights were held by Mr Lee Hunter and lapsed on 18 July 2018 when he resigned from the Company. None of the performance milestone had been achieved by the date of his resignation.

(a) Options

The movement in options during the year is set out below:

	2019		2018	
	Number	**Fair value per option at grant date (cents)**	**Number**	**Fair value per option at grant date (cents)**
Opening balance	2,000,000		8,500,000	
Granted during the year				
free attaching options granted pursuant to an entitlements issue [1]	39,958,961	-	-	-
options granted pursuant to underwriting service agreement [2]	15,541,873	4.87	-	-
options granted pursuant to investor relations agreement	1,000,000	6.50	-	-
options granted pursuant to consultancy agreement	600,000	5.56	-	-
options granted to non-executive directors	3,000,000	6.91	500,000	9.12
options granted under employee option plan	2,850,000	5.56	-	-
Exercised during the year	(4,500)	5.56	-	-
Expired during the year	-		(7,000,000)	
Closing balance	64,946,334		2,000,000	

Notes

1. These options have been allocated a nil fair value given they were free attaching options which were issued in conjunction with ordinary share as part of an entitlements issue.
2. The fair value of these options has been recognised as a share issue cost and allocated against contributed equity.

17. SHARE BASED PAYMENTS (continued)

(a) Options (continued)

The fair value of options granted during the year, excluding the free attaching options, was $1,220,791 (2018: $45,616).

The options were valued at grant date using the Black-Scholes model and took into account the following assumptions:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Number granted	15,541,873	1,000,000	2,850,000	600,000	3,000,000
Exercise price	$0.10	$0.10	$0.15	$0.15	$0.20
Expiry date	25/10/2021	7/12/2020	24/12/2020	24/12/2020	27/03/2022
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Expected volatility	99.34%	100.55%	103.02%	103.02%	109.51%
Risk-free interest rate	2.06%	1.92%	1.97%	1.97%	0.92%

The weighted average remaining contractual life for the share-based payment options outstanding as at 30 June 2019, including the free attaching options, was 2.24 years (30 June 2018: 1.85 years).

The exercise price for share based payment options outstanding as at the end of the period, including the free attaching options, was a range of $0.10 to $0.45 (30 June 2018: $0.45).

Holders of options do not have any voting or dividend rights in relation to the options.

(b) Performance Rights

The following table illustrates the movement in performance rights during the year:

	Opening balance at 1 July 2018 Number	Granted during the year Number	Converted into ordinary shares during the year Number	Lapsed during the year Number	Closing balance at 30 June 2019 Number
Class D	33,332	-	(33,332)	-	-
Class E	150,000	-	-	(150,000)	-
Class F	900,000	-	-	(900,000)	-
Class G	150,000	-	-	(150,000)	-
Class H	-	450,000	-	-	450,000
Class I	-	900,000	-	-	900,000
Class J	-	900,000	-	-	900,000
Class K	-	1,800,000	-	-	1,800,000
Class L	-	2,700,000	-	-	2,700,000
Class M	-	1,800,000	-	-	1,800,000
Class N	-	2,700,000	-	-	2,700,000
Class O	-	3,600,000	-	-	3,600,000
	1,233,332	14,850,000	(33,332)	(1,200,000)	14,850,000

17. SHARE BASED PAYMENTS (continued)

(b) Performance Rights (continued)

The vesting conditions and milestone dates attached to the performance rights granted during the year are set out below:

Tranche	Vesting Condition	Expiry date
Class H	First 10 clients that sign on using TrafficGuard	30 June 2021
Class I	First 3 Tier 1 Clients who the Board consider to be enterprise level i.e. > 1 billion clicks per month	30 June 2021
Class J	First achievement of revenue producing twelve month contracts to the amount of $1m	30 June 2021
Class K	First achievement of revenue producing twelve month contracts to the amount of $3m	30 June 2021
Class L	First achievement of revenue producing twelve month contracts to the amount of $5m	30 June 2021
Class M	First achievement of break-even cash flow in a financial year	30 June 2021
Class N	First achievement of audited $1m earnings before interest tax, depreciation and amortization (EBITDA)	30 June 2021
Class O	First achievement of audited $3m EBITDA	30 June 2021

The fair value of performance rights granted during the year was $1,280,158 (2018: $88,088).

The performance rights were valued at grant date using the Black-Scholes model and took into account the following assumptions:

	Tranche 1	Tranche 2
Number granted	6,600,000	8,250,000
Exercise price	Nil	Nil
Expiry date	30/06/2021	30/06/2021
Dividend yield	0.00%	0.00%
Expected volatility	103.63%	109.51%
Risk-free interest rate	1.79%	0.94%

Holders of performance rights do not have any voting or dividend rights in relation to the performance rights.

(c) Employee Incentive Share Plan

Under the Employee Incentive Share Plan, eligible employees may be granted up to $1,000 of fully paid ordinary shares in the Company annually for no cash consideration. The number of shares issued to participants in the scheme is calculated at $1,000 divided by the weighted average closing price of the Company's share price based on the closing ASX market prices over the five trading days before, but not including, the issue date, rounded down to the nearest whole number.

There were no shares issued under the plan in the current year (2018: 196,664).

(d) Employee Incentive Option Plan

Under the Employee Incentive Option Plan, eligible employees may be granted options in the Company to recognise work undertaken by the employees and to incentivise them further. The exercise price of options issued under the plan is calculated so as to ensure that the options only have value if there is an increase in shareholder wealth over time.

During the current year, 2,850,000 options were granted to employees under the plan (2018: Nil).

18. ACCUMULATED LOSSES

	Consolidated 2019 $	2018 $
Accumulated losses at the beginning of financial year	(21,491,395)	(13,982,000)
Net loss for the year	(6,552,197)	(7,509,395)
Withholding tax on intragroup dividend payment	(38,668)	-
Accumulated losses at the end of financial year	(28,082,260)	(21,491,395)

19. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Financial assets

	Consolidated 2019 $	2018 $
Financial assets at amortised cost		
Trade and other receivables (Note 8)	800,770	67,681
Financial asset at fair value through other comprehensive income		
Unlisted investments (Note 10)	113,525	-
Total financial assets	914,295	67,681
Total current	545,163	67,681
Total non-current	369,132	-
	914,295	67,681

(b) Financial liabilities

	Consolidated 2019 $	2018 $
Financial liabilities at amortised cost		
Trade and other payables (Note 11)	372,637	230,328
Total financial liabilities	372,637	230,328
Total current	372,637	230,328
Total non-current	-	-
	372,637	230,328

(c) Financial instruments risk management objectives and policies

The Group's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, and cash and short-term deposits derived directly from its operations. The Group also holds a minority interest (10%) investment in an unlisted entity.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks and are responsible for ensuring that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

19. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(c) Financial instruments risk management objectives and policies (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include trade and other receivables, unlisted equity investments and trade and other payables.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates is negligible given it has no debt obligations.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The only material financial instruments denominated in a foreign currency held by the Group are cash amounts denominated in United States Dollars (USD), certain trade and other receivables denominated in USD and certain trade payables denominated in USD.

A summary of the AUD equivalent of the Group's USD denominated financial instruments at the reporting date is as follows:

	Consolidated	
	2019 $	2018 $
Cash and cash equivalents	251,433	2,969,470
Trade and other receivables	713,181	27,315
Trade payables	(339,714)	(144,241)
Net exposure	624,900	2,852,544

The sensitivity analysis below relates to the foreign currency risk exposures in existence at the reporting date. The following table demonstrates the sensitivity to a reasonably possible change in AUD / USD exchange rates, with all other variables held constant.

	Effect on loss before tax (Higher)/Lower		Effect on pre-tax equity Higher/(Lower)	
	2019 $	2018 $	2019 $	2018 $
+11%	68,739	313,780	72,133	313,780
-11%	(68,739)	(313,780)	(72,133)	(313,780)

Translation risk

All USD denominated balance sheet accounts are converted to AUD at spot rate at year end. Group net assets are therefore sensitive to the exchange rate at year end. The following table demonstrates the sensitivity to a reasonably possible change in AUD / USD exchange rates, with all other variables held constant.

	Effect on net group assets before Australian group tax (Higher) / Lower		Effect on equity before Australian group tax Higher / (Lower)	
	2019 $	2018 $	2019 $	2018 $
+11%	235,893	414,250	239,287	414,250
-11%	(235,893)	(414,250)	(239,287)	(414,250)

19. FINANCIAL ASSETS AND LIABILITIES (continued)

(c) Financial instruments risk management objectives and policies (continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily in relation to trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

i. Trade receivables and contract assets

Customer credit risk is managed by the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on the customer's financial position, past working experience with the customer (if any) and any other applicable factors. Individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and followed up accordingly. At 30 June 2019, the Group had 6 customers (2018: Nil from continuing operations) of whom 2 owed more than $50,000 and accounted for 89% of all trade receivables outstanding.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are generally based on days past due after considering any other relevant forward looking information. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 8. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in different jurisdictions and operate in largely independent markets.

Set out below is the information at 30 June 2019 about the credit risk exposure on the Group's trade receivables using a provision matrix:

			Days past due			
	Total	Current	30 days	30-60 days	61-90 days	> 90 days
	$	$	$	$	$	$
Total gross carrying amount	151,457	79,353	22,326	19,655	26,626	3,497
Expected credit loss	(35,603)	-	-	(8,977)	(26,626)	-

The credit risk for the deferred consideration receivable (Note 8) is assessed in the same manner as trade receivables and is considered to be low.

Impairment of the deferred consideration receivable is assessed regularly. Management analyse the probability of default on the obligation to determine whether any expected credit loss is to be recognised.

At 30 June, the exposure to credit risk for trade receivables and contract assets by geographic region was as follows:

	Consolidated	
	2019	2018
North America	49,834	-
Latin America	53,394	-
Asia Pacific	5,496	-
Middle East	3,497	-
Other	3,633	-
	115,854	-

At 30 June, the exposure to credit risk for trade receivables and contract assets by type of counterparty was as follows:

	Consolidated	
	2019	2018
End-user customer	115,854	-
	115,854	-

19. FINANCIAL ASSETS AND LIABILITIES (continued)

(c) Financial instruments risk management objectives and policies (continued)

Credit risk (continued)

ii. Cash and cash equivalents

The Group held cash and cash equivalents of $2,046,991 at 30 June 2019 (2018: $4,054,816). All cash and cash equivalents are held with banks which the Group considers to be low risk.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and funding to ensure that the Group can meet its obligations when due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group holds the majority of its financial assets (excluding cash) as trade receivables with reputable customers who have had no significant payment issues in the past and hence, does not have any material liquidity risk at the reporting date.

The Group monitors rolling forecasts of liquidity reserves on the basis of expected cash flow.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include any contractual interest payments and exclude the impact of netting arrangements.

			Contractual cash flows			
30 June 2019	**Carrying amount $**	**Total $**	**2 months or less $**	**2-12 months $**	**1-2 years $**	**2-5 years $**
Non-derivative financial liabilities						
Trade payables	372,637	372,637	372,637	-	-	-
	372,637	372,637	372,637	-	-	-

Fair values

Fair values of financial assets and liabilities have been assessed as being equivalent to their carrying values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying amount of financial assets and trade and other payables recorded in the financial statements approximate their fair values. The carrying amount of interest-bearing loans and borrowings recorded in the financial statements approximate their fair values and are all classified as level 1 instruments per the below valuation methodology.

For financial instruments carried at fair value, the Group uses various methods in estimating fair value. The methods comprise:

- Level 1 – the fair value is calculated using quoted prices in an active market.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in the Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

20. COMMITMENTS AND CONTINGENCIES

(a) Operating Lease Commitments – Group as lessee

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Consolidated	
	2019 $	**2018 $**
Within one year	85,439	153,792
After one year but not more than five years	315,871	255,211
More than five years	153,416	-
	554,726	409,003

20. COMMITMENTS AND CONTINGENCIES (continued)

(b) Property, Plant and Equipment Commitments

At balance date the Group had no contractual obligations to purchase plant and equipment (2018: nil).

(c) Contingent Liabilities

At balance date the Group had no pending legal claims or other contingent liabilities (2018: nil).

21. RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Adveritas Limited (the parent entity) and the entities listed in the following table.

	Country of incorporation	% Equity interest	
		2019	**2018**
Livelynk Group Pty Ltd [1]	Australia	100	100
TrafficGuard Pty Ltd [2]	Australia	100	100
TrafficGuard APAC Pte Ltd [2]	Singapore	100	100
TrafficGuard US Inc [2,3]	United States	100	-
Mpire Network Inc. [2]	Canada	10	100
Appenture d.o.o [2]	Croatia	100	100

1 equity interest is held directly by Adveritas Limited.

2 equity interest is held directly by Livelynk Group Pty Ltd.

3 TrafficGuard US Inc was incorporated on 5 February 2019

Transactions with related parties

In July 2018, the Company entered into a consultancy agreement with 13811 Advisory Pte Ltd, a company of which Mr Stott is the CEO and founder. The consultancy services include the provision of promotion and marketing services. The consultancy agreement with 13811 Advisory Pte Ltd has remained in place post the appointment of Mr Stott as a non-executive director of the Company on 26 February 2019. Under the agreement, Mr Stott is entitled to consultancy fees of SGD 3,000 per month. In addition, in accordance with the terms of the agreement, on 24 December 2018 Mr Stott was issued 600,000 unlisted options with a two year expiry period and an exercise price of $0.15.

During the prior year, the Company entered into a consultancy agreement with Mr Ratty for the provision of corporate advisory services which included advice on roadshows and communication with current and potential shareholders. The agreement was terminated on 19 March 2018 when Mr Ratty was appointed as interim Managing Director and Chief Executive Officer. Under the agreement Mr Ratty was paid $20,529.

Guarantees

None of the entities within the Group are guarantors.

22. EVENTS AFTER BALANCE SHEET DATE

As announced on 14 August 2019, the Company received firm commitments to raise over $2.8 million (before costs) through a placement to new and existing institutional and sophisticated investors at an issue price of 10c per share.

The firm commitments include a total of $1.3 million from directors of the Company. The issue of shares to the directors will be subject to shareholder approval at the Company's next General Meeting which will be held as soon as possible.

Settlement of the placement (excluding the $1.3 million from the directors) took place on 16 August 2019, with quotation of the new shares occurring on 19 August 2019.

No event other has arisen since 30 June 2019 that would be likely to materially affect the operations of the Group, or its state of affairs which has not otherwise been disclosed in this financial report.

23. AUDITORS' REMUNERATION

Remuneration of the Group's auditor, Ernst and Young, was as follows:

	Consolidated	
	2019	**2018**
	$	**$**
Audit or review of the financial report	63,228	86,004
Non-audit services provided	48,282	85,733
	111,510	171,737

24. EARNINGS / LOSS PER SHARE

Basic earnings / (loss) per share is calculated by dividing the profit / (loss) for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares on issue during the year.

Diluted earnings / (loss) per share is calculated by dividing the profit / (loss) attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares on issue during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the data used in the calculation of the basic and diluted earnings / (loss) per share:

	2019	**2018**
	Number	**Number**
Weighted average number of ordinary shares used in the calculation of basic earnings / (loss) per share	130,226,820	80,290,480
Weighted average number of ordinary shares used in the calculation of diluted earnings / (loss) per share	130,226,820	80,290,480

	$	**$**
Profit / (loss) attributable to ordinary equity holders of Adveritas Limited		
Continuing operations	(6,644,420)	(7,251,584)
Discontinued operations	92,233	(257,811)
Loss attributable to ordinary equity holders of Adveritas Limited for basic and diluted earnings / (loss)	(6,552,197)	(7,509,395)

	Cents	**Cents**
Basic earnings / (loss) per share	(5.03)	(9.35)
Basic earnings / (loss) per share – continuing operations	(5.10)	(9.03)
Basic earnings / (loss) per share – discontinued operations	0.07	(0.32)
Diluted earnings / (loss) per share	(5.03)	(9.35)
Diluted earnings / (loss) per share – continuing operations	(5.10)	(9.03)
Diluted earnings / (loss) per share – discontinued operations	0.07	(0.32)

Classification of securities as ordinary shares

The Company has only one category of ordinary shares included in basic earnings / (loss) per share.

Classification of securities as potential ordinary shares

No securities have been classified as dilutive potential ordinary shares on issue in the current year because the options and performance rights on issue are considered anti-dilutive on the basis that their inclusion in the calculation would reduce the loss per share.

On 19 August 2018. 6,600,000 performance rights and 400,000 options were issued to employees under the Company's Performance Rights and Options Plan. There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

25. DIRECTORS AND EXECUTIVE DISCLOSURE

Compensation of Key Management Personnel

	Consolidated	
	2019 **$**	**2018** **$**
Short-term employee benefits	1,525,211	1,925,646
Post-employment benefits	80,184	86,711
Other long-term benefits	5,745	4,624
Share based payments	353,058	81,253
	1,958,540	2,098,234

26. PARENT ENTITY INFORMATION

The following information relates to the legal parent entity of the Group, being Adveritas Limited. The information presented has been prepared using consistent accounting policies as presented in Note 2.

	As at 30 June 2019 $	**As at 30 June 2018 $**
Financial Position		
Assets		
Current assets	1,770,386	3,496,524
Non-current assets	10,212,756	6,115,359
Total assets	11,983,142	9,611,883
Liabilities		
Current liabilities	217,817	370,223
Non-current liabilities	56,374	51,173
Total liabilities	274,191	421,396
Net assets	11,708,951	9,190,487
Equity		
Contributed equity	23,073,478	19,354,405
Share based payment reserve	2,591,047	1,344,306
Accumulated losses	(13,955,574)	(11,508,224)
Total equity	11,708,951	9,190,487
Financial Performance		
Loss for the year	(2,447,350)	(2,760,362)
Other comprehensive income	-	-
Total comprehensive loss	(2,447,350)	(2,760,362)

In the directors' opinion:

(a) The financial statements and notes of Adveritas Limited set out on pages 26 to 66 are in accordance with the Corporations Act 2001, including:

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

(ii) giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance for the financial year ended on that date, and

(b) Note 2(b) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

(c) Subject to Note 2(z), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2019.

On behalf of the board

Stephen Belben
Non-Executive Chairman

Perth, Western Australia
Dated this 19th day of September 2019

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Independent auditor's report to the members of Adveritas Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Adveritas Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material uncertainty related to going concern

We draw attention to Note 2(z) in the financial report, which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Share-based payment expense

Why significant	How our audit addressed the key audit matter
As disclosed in Notes 16 and 17 to the financial report, the Group has awarded significant share-based payments to employees, directors and consultants during the year, contributing to a total share-based payment expense of $503,233. Due to the complex and judgmental estimates such as volatility, used in determining the valuation of the share-based payments and vesting expense, we considered the Group's calculation of the share based-payment expense to be a key audit matter.	As part of our audit procedures, we assessed the Group's share based-payment expense calculations to determine whether the balances were calculated in accordance with Australian Accounting Standards. We involved our valuation specialists to assess the Group's calculation of the fair value of share-based payment issued during the year, including the key assumptions used. We also assessed the adequacy of the presentation and disclosures in Notes 16 and 17 to the financial report.

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2. Disposal of 90% of the shares in Mpire Network Inc.

Why significant	How our audit addressed the key audit matter
As disclosed in Note 14 to the financial report, the Group has completed the sale of 90% of the shares in Mpire Network Inc. on 31 July 2018. As a result the Mpire Network business has been disclosed as a discontinued operation. The net gain on disposal, recognised in the statement of comprehensive income is $598,000. This was considered a key audit matter given the judgements made by the Group in determining whether the criteria set out in Australian Accounting Standards, for disclosure as a discontinued operation were met and the significance of this matter to the presentation of the financial report.	As part of our audit procedures, we read the share sale agreement entered into by the Group. We assessed whether the consideration receivable and net gain on disposal were calculated correctly in accordance with the agreement. We also assessed the adequacy of the discontinued operation disclosure in the financial report.

3. Revenue from contracts with customers

Why significant	How our audit addressed the key audit matter
Revenue is a key metric by which the performance of the Group is assessed. Australian Accounting Standard AASB 15 *Revenue from Contracts with Customers* ("AASB 15") applied to the Group for the first time from 1 July 2018. The Group is in the business of providing its fraud mitigation software, namely TrafficGuard, as a service to its customers on monthly fee basis. The Group's disclosures relating to revenue recognition are included in the summary of accounting policies in Note 2(l) of the financial report. This was considered a key audit matter given the significance of revenue to the financial report and the first-time adoption of AASB 15.	As part of our audit procedures, we selected a sample of revenue transactions and agreed the revenue recognised to signed agreements and cash receipts. On a sample basis we assessed whether performance obligations were met with reference to the evidence. We assessed whether revenue was recognised in the correct period. We also considered the adequacy of the associated disclosures set out in the financial report for compliance with AASB 15.

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Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 25 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Adveritas Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

G Lotter
Partner
Perth
19 September 2019

The following additional information is required by the Australian Securities Exchange. The information is current as at 13 September 2019.

CORPORATE GOVERNANCE

The Board of Adveritas Limited is committed to achieving and demonstrating the highest standards of Corporate Governance. The Board is responsible to its Shareholders for the performance of the Company and seeks to communicate extensively with Shareholders. The Board believes that sound Corporate Governance practices will assist in the creation of Shareholder wealth and provide accountability. In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly, information about the Company's Corporate Governance practices is set out on the Company's website at www.adveritas.com.au/about-us/corporate-governance.

SECURITY HOLDING

The security holding information outlined below is current as at 13 September 2019.

1. Substantial shareholders

Substantial shareholders in the Company and the number of equity securities over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices provided to the Company are listed below:

Substantial holders	Number of shares	Number of options	Voting interest	Date of Lodgement of Notice
MC Management Group Pty Ltd	6,551,676	500,000	8.94%	05/09/2017
Mera Vale No. 4 Pty Ltd	11,777,779	-	8.10%	12/11/2018

2. Number of holders of each class of equity security

Ordinary fully paid shares

There are 1,014 holders of the 174,608,924 ordinary fully paid shares on issue.

Each shareholder is entitled to one vote per share. In accordance with the Company's constitution, on a show of hands every number present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

Options

There are 14 holders of the 6,150,000 unlisted options on issue.

There are no voting rights attached to these options.

Performance Rights

There are 2 holders of the 14,850,000 unlisted performance rights on issue.

There are no voting rights attached to these performance rights.

3. Restricted securities

As at 13 September 2019 there are 79,422 ordinary shares that were issued pursuant to the Company's Incentive Share Plan that are under voluntary escrow until the earlier of 28 September 2020 and the employee leaving the Company.

4. Distribution schedules

Shareholders

Spread of holders	Number of Shareholders	Number of Shares
Nil Holding	-	-
1 – 1,000	55	13,270
1,001 – 5,000	146	488,402
5,001 – 10,000	103	885,024
10,001 – 100,000	493	20,088,032
Over 100,000	217	153,134,196
Total on register	1014	174,608,924

Listed Option Holders

Spread of holders	Number of Option Holders	Number of Options
Nil Holding	-	-
1 – 1,000	12	4,807
1,001 – 5,000	26	85,911
5,001 – 10,000	14	103,513
10,001 – 100,000	94	3,846,872
Over 100,000	81	51,455,231
Total on register	227	55,496,334

Unlisted Option Holders

Spread of holders	Number of Option Holders	Number of Options
Nil Holding	-	-
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	-	-
Over 100,000	14	6,150,000
Total on register	14	6,150,000

4. Distribution schedules (continued)

Performance Right Holders

Spread of holders			Number of Performance Rights Holders	Number of Performance Rights
Nil Holding			-	-
1	–	1,000	-	-
1,001	–	5,000	-	-
5,001	–	10,000	-	-
10,001	–	100,000	-	-
Over 100,000			2	14,850,000
Total on register			2	14,850,000

5. Top 20 shareholders

	Holder name	Number	% of issued capital
1	Mera Vale No 4 Pty Ltd <Mera Vale No 4 A/C>	11,777,779	6.75
2	Daws & Sons Pty Ltd	8,730,303	5.00
3	Mc Management Group Pty Ltd	8,000,000	4.58
4	Adman Lanes Pty Ltd	7,500,000	4.30
5	Mr Luke Taylor <Taylor Family A/C>	5,200,000	2.98
6	Merrill Lynch (Australia) Nominees Pty Limited	5,021,077	2.88
7	Unaval Nominees Pty Ltd Unaval Management Retirement <A/C>	4,525,427	2.59
8	National Nominees Limited	4,328,228	2.48
9	Mr Leo David Barry	3,788,631	2.17
10	Netwealth Investments Limited <Wrap Services A/C>	3,494,000	2.00
11	Upsky Equity Pty Ltd <Upsky Investment A/C>	2,895,787	1.66
12	Leo Barry Pty Ltd	2,500,000	1.43
13	Mc Management Group Pty Ltd <The Mc Master A/C>	2,482,682	1.42
14	Bedwell Pty Ltd <Bedwell Discretionary A/C>	1,969,696	1.13
15	Skywalker Holdings WA Pty Ltd	1,861,745	1.07
16	Reco Holdings Pty Ltd <Reco Super Fund A/C>	1,840,000	1.05
17	Mr Scott Douglas Stanley + Mrs Lisa Ann Stanley <Stanley Super Fund A/C>	1,800,000	1.03
18	Mr Martin James Reed <East Sydney Unit A/C>	1,575,000	0.90
19	Mr Barry John Mackinnon + Mrs Pamela Anne Mackinnon <BJ & PA Mackinnon S/F A/C>	1,520,000	0.87
20	Morckstow Pty Ltd	1,430,000	0.82
		82,240,355	**47.10**

6. Marketable parcels

There are 176 shareholders with less than a marketable parcel of $500 based on a share price of 12 cents.

7. On-Market Buy-Back

The Company is not currently undertaking an on-market buy-back.

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