Etherstack plc
and controlled entities

Appendix 4D

Half Year report under ASX listing Rule 4.2A.3

Half Year ended on 30 June 2016

ARBN 156 640 532	**Previous Corresponding Period: Half Year ended on 30 June 2015**

Results for Announcement to the market				**USD$'000**
Revenue from ordinary activities	Increased	34%	to	1,548
(Loss) from ordinary activities after tax attributable to members	Increased	1%	to	(2,060)
Net (loss) attributable to members	Increased	1%	to	(2,060)

Dividends

There were no dividends declared or paid during the period (30 June 2015: nil) and the Directors do not recommend any dividend be paid.

Net tangible liabilities per share	**30 June 2016 US cents**	**30 June 2015 US cents**
Net tangible liabilities per share	(9.09)	(22.63)

Explanation of Results

Please refer to the Review of operations and financial results within the Directors' Report for an explanation of the results.

The interim financial report for the half year ended 30 June 2016 dated 26 August 2016, forms part of and should be read in conjunction with this Half Year Report (Appendix 4D). The unaudited condensed consolidated financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

David Deacon, Director
26 August 2016

Etherstack plc AND CONTROLLED ENTITIES

ARBN 156 640 532

INTERIM CONDENSED FINANCIAL REPORT

FOR THE HALF YEAR ENDED 30 JUNE 2016

etherstack
wireless innovation

CONTENTS

Etherstack is a wireless technology company specialising in licensing mission critical radio technologies to equipment manufacturers and network operators around the globe. With a particular focus in the public safety, defence, utilities, transportation and resource sectors, Etherstack's technology can be found in radio communications equipment used in the most demanding situations. The company has R&D facilities in London, Sydney, New York and Yokohama.

DIRECTORS' REPORT

The directors present the condensed consolidated interim financial report of Etherstack plc ("the Company" or "Etherstack") and its controlled entities (together referred to as "the Group") for the half year ended 30 June 2016. All amounts are in thousands of USD, unless otherwise specified.

Directors

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

- Peter Stephens — Non-Executive Chairman
- David Deacon — Executive Director and Group Chief Executive Officer
- Paul Barnes — Non-Executive Director
- Scott W Minehane — Non-Executive Director

Principal activities

The principal activities of the Group throughout the period were design, development and deployment of wireless communications software and products. The principal activity of Etherstack plc (the "Company") is that of a holding company.

Review of operations and financial results

Highlights

- Significant new contract wins already achieved in 2016
- Etherstack expects 2016 revenue of USD $5.8 million to $6.1 million
- Positive operating cash despite loss
- Capital raise completed in July 2016 raising AUD $7.97 million (USD $6.0 million before issue costs)
- Witnessing growing demand across all products and services
- Benefiting from improved US economy
- Structural changes underway in the Group's revenue mix

Revenues for the half year are $1,548 which is an increase of $396 or 34% from the prior half year for which revenue was $1,152. While this is certainly a pleasing increase, 2015 was a poor year for the company and the expectation is the 2016 full year revenues will be significantly more than a 34% increase on 2015.

Revenue result and increase is attributable to:

- Tactical Repeater (aka "Go Box") revenues – this product was released to the market in 2014 and the company has subsequently recruited more sales resources to grow the product revenues and the market opportunity. In 2015 and the first half of 2016 the company has generated modest revenues given the long lead times for a product of this type. Initial orders orders from key Federal Policing and Defence organisations have been received and, *more importantly,* repeat orders also have been received. The product has been well received by the market including New South Wales State Emergency Service and the Group has a healthy Australian and US opportunity pipeline for this product.

- Royalty revenues - for first half of 2016 are $237 compared to $63 for the first half of 2015. The increase is primarily driven by a marked jump in unit sales of an emerging digital radio standard known as DMR, for which Etherstack licenses technology to wireless equipment manufacturers for use in their products. The Group also notes that North American royalties in particular have increased in the half year, potentially indicating an expected recovery in this market segment after several years of poor performance.

DIRECTORS' REPORT Continued

- Support revenue for first half of 2016 grew 23% over the first half of 2015. By comparison with 2014, there has been a 129% increase. This is attributable to growth in Etherstack's installed support client base through new network deployments and growth in existing networks infrastructure. Due to new network deployments and network upgrades, the Company expects further significant growth in the 2017 and 2018 reporting periods.

- Reduced level of activity on the Group's largest infrastructure project in Australia. In the comparative period, this project produced revenue of $548 compared to $232 in the first half of this year as there was no equipment deployment income in the first half of 2016. The rollout is conducted over a number of stages and the number of sites deployed in any half year can vary significantly depending on the stage underway within the half year. Increased activity is expected in the second half of this year.

- In April 2016, the Company announced a contract win with Jersey Central Power and Light. This project is expected to deliver revenues of $2.5m plus additional support revenues following completion of the project. No revenue from this contract was recognised in the first half of 2016 as there were no scheduled deliveries prior to 30 June 2016. $2.2m revenue from this project is expected to be recognised in the second half of 2016.

The Group continues to invest significantly in products which will reduce revenue volatility by reducing dependence on a small number of relatively large contracts. The Group's "Go Box" tactical repeater product has been very well received in the US and Australian markets with repeat orders and significant interest in the solutions.

New product lines will be released in the next two halves and there are high hopes for these new product and the Group looks forward to announcing more customers purchasing these innovative products.

The results for the half year show continued careful cost control:

- Costs of sales comprises labour and material costs; these costs have increased from $602 to $1,037. The main reasons cost of sales has increased;
  - increased sales
  - change in the sales mix with more product costs incurred in 2016
  - Engineering labour costs have increased, despite similar engineering staffing levels, as more effort has been directed toward revenue generating activities and less on intellectual property development.

- Administrative costs have increased from $2,349 to $2,497 an increase of $148 however the largest item in this category is the amortisation expense which has increased from $1,099 in 2015 to $1,238 in 2016. If amortisation is excluded from the comparison, administrative costs have increased by $9.

In addition to the revenue changes and cost reductions outlined above, the financial results are also impacted by:

- The amount of costs capitalised as development costs were $663 compared with $859 in the first half of 2015. This reflects a changed mix of revenue generating activities and intellectual property development.

- Unrealised foreign exchange gain of $7 (2015 $221 gain) was recognised.

DIRECTORS' REPORT Continued

- An income tax benefit of $241 (2015 $338) was earned due mainly to income tax refunds arising from research and development incentives the Group is able to access.

- Legal, mediation and other costs of $385 incurred in 2015 connection with a general commercial dispute that was resolved in July 2015. No costs have been incurred in 2016 and no further costs are expected.

Cash generation and financing activities

For the six months to 30 June 2016, the Group produced positive cash from operations of $88 (30 June 2015 ($479)) The Group's loss after tax of $2,060 includes non-cash items of $1,304.

In January 2016, the Company announced a capital raising which was concluded shortly after the end of the half year. There were two share issues as part of this capital raise:

- 4 May 2016 - issue of 40,877,859 shares to eligible shareholders. These shares were issued at AUD 10 cents raising AUD $4,087,786 before costs of the issue. This increased shareholders equity by USD $3,011 after costs of the issue. As noted in the Entitlement Issue prospectus, the proceeds of the issue was to repay debt and convertible notes and this portion of the raise included offset of amounts of $2,702 owed by the company. After this issue, there were 72,858,643 fully paid ordinary shares in issue.

- 6 July 2016 – issue of 38,826,670 shares under the shortfall offer. These shares were also issued at AUD 10 cents raising AUD $3,882,667 before costs of the issue. This issue increased shareholders equity by USD $2,889 after costs of the issue. The proceeds of this issue included offset of amounts of $2,353 owed by the company. After this issue, there were 111,685,313 fully paid ordinary shares in issue.

The aggregate issue is therefore 79,704,529 shares, raising AUD $7,970,453 (before issue costs) and making the total issued capital of the Company 111,685,313 fully paid ordinary shares.

As noted in the Entitlement Issue prospectus, the proceeds of the raise have predominantly been applied to Convertible Note repayment and other debt reduction. As a result of the debt conversions undertaken as part of the raise the company has retired debt of $4,966 and generated cash of $934 after costs of the issue.

The capital raising was well supported by the Directors, existing shareholders and convertible note holders. The Directors collectively converted $3,826 debt into equity as part of the raise.

As noted in previous Directors reports, the Group is continuing to take actions to reduce cash pressures created by revenue volatility by reducing dependence on large projects by:

- developing and releasing products such as the Go Box,

- increasing recurring revenues from support contracts and royalty arrangements,

- Increasing sales resources in Australia and restructuring existing sales resources to better match resources and market opportunities.

DIRECTORS' REPORT Continued

Revenue and profit guidance

Etherstack derives revenues from different sources. Some of the projects Etherstack undertakes are individually significant to revenue for the year or half year. The timing of the completion or commencement of these individually significant projects can cause a significant variation in the revenue pattern. Similarly, a change in the timing of the commencement of these projects can also cause a significant variation in both reported revenues and 12 month revenue forecasts.

The current revenue base and revenue mix means Etherstack may experience significant fluctuations in revenues recognised for any year or half year as a consequence of activity on a small number of individually significant projects. As a consequence the Company may not always have sufficient certainty over the timing of revenue recognition to provide market guidance. In the current year the Company has provided revenue guidance indicating expected revenue for 2016 of between US$5.8m and US$6.1m. At this point in time the Company affirms this revenue guidance.

Rounding of amounts

Amounts in the Directors Report and the accompanying financial report have been rounded to the nearest thousand dollars, or in certain cases to the nearest dollar, unless otherwise expressly stated.

Signed in accordance with a resolution of the directors

David Deacon, Director
26 August 2016

Independent Auditor's Review Report

To the members of Etherstack plc

We have reviewed the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016, which comprises the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cashflows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities for the half-year financial report

The half yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half yearly financial report in accordance with International Accounting Standard 34, "Interim Financial Reporting.

As disclosed in Note 2, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as adopted by the European Union.

Our responsibility

Our responsibility is to express a conclusion on the condensed consolidated financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Auditor's Review Report - continued

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2, which comply with International Accounting Standard 34, Interim Financial Reporting as adopted by the European Union.

Emphasis of Matter – Going Concern

In forming our review conclusion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 2 to the financial statements concerning the group's ability to continue as a going concern. These conditions, along with the other matters explained in Note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Grant Thornton UK LLP, Cambridge

26 August 2016

Consolidated Statement of Comprehensive Income
For the period ended 30 June 2016

	Half year ended 30 June 2016 USD $'000 (unaudited)	Half year ended 30 June 2015 USD $'000 (unaudited)
Revenue	1,548	1,152
Cost of sales	(1,037)	(602)
Gross Profit	511	550
Other administrative expenses	(2,497)	(2,349)
Debt subject to claim and legal fees	-	(385)
Net foreign exchange gains	7	221
Group operating loss from continuing operations	(1,979)	(1,963)
Finance costs	(322)	(424)
Loss before taxation	(2,301)	(2,387)
Income tax benefit	241	338
Loss after taxation for the period attributable to the equity holders of the parent	(2,060)	(2,049)
Other comprehensive income/(loss)		
Items that may be classified subsequently to profit and loss:		
Exchange differences on translation of foreign operations	108	166
Total comprehensive loss for the period attributable to the equity holders of the parent	(1,952)	(1,883)

(Loss) per share attributable to the equity holders of the parent

Basic (loss) for the period (in US cents)	(4.58)	(6.41)
Diluted (loss) for the period (in US cents)	(4.58)	(6.41)

The results above relate to continuing operations.

Consolidated Statement of Financial Position
As at 30 June 2016

	Note	30 June 2016 USD $'000 (unaudited)	31 December 2015 USD $'000 (audited)
NON-CURRENT ASSETS			
Intangible assets	5	5,725	6,287
Property, plant and equipment		43	73
Trade receivables and other assets		190	150
		5,958	6,510
CURRENT ASSETS			
Inventories		532	482
Trade and other receivables		1,612	1,591
Cash and bank balances		61	51
		2,205	2,124
TOTAL ASSETS		8,163	8,634
CURRENT LIABILITIES			
Trade and other payables		3,868	4,322
Borrowings	6	3,375	5,271
Deferred revenue		1,396	558
Current tax liabilities		120	145
		8,759	10,296
NON-CURRENT LIABILITIES			
Deferred revenue		114	180
Deferred tax liabilities		150	128
Employee entitlements		35	-
		299	308
TOTAL LIABILITIES		9,058	10,604
NET ASSETS /(LIABILITIES)		(895)	(1,970)
EQUITY			
Share capital	7	444	205
Share premium account		5,054	2,282
Merger reserve		3,497	3,497
Share based payment reserve		429	413
Foreign currency translation reserve		(1,656)	(1,764)
Accumulated losses		(8,663)	(6,603)
TOTAL EQUITY		(895)	(1,970)

Consolidated Statement of Changes in Equity
For the period ended 30 June 2016

For the half-year ended 30 June 2015	Share Capital USD $'000	Share Premium Account USD $'000	Merger Reserve USD $'000	Share Based Payment Reserve USD $'000	Foreign Currency Translation Reserve USD $'000	Retained Earnings USD $'000	Total Equity USD $'000
Balance at 1 January 2015	205	2,282	3,497	361	(1,783)	(624)	3,938
Transactions with owners	-	-	-	34	-	-	34
Loss for the period	-	-	-	-	-	(2,049)	(2,049)
Other comprehensive income for the period	-	-	-	-	166	-	166
Total comprehensive income for the period	-	-	-	34	166	(2,049)	(1,849)
Balance at 30 June 2015 (unaudited)	205	2,282	3,497	395	(1,617)	(2,673)	2,089
For the half-year ended 30 June 2016							
Balance at 1 January 2016	205	2,282	3,497	413	(1,764)	(6,603)	(1,970)
Transactions with owners	239	2,860	-	-	-	-	3,099
Transaction costs	-	(88)	-	-	-	-	(88)
Share based payment charge	-	-	-	16	-	-	16
Loss for the period	-	-	-	-	-	(2,060)	(2,060)
Other comprehensive income for the period	-	-	-	-	108	-	108
Total comprehensive income for the period	239	2,772	-	16	108	(2,060)	1,075
Balance at 30 June 2016 (unaudited)	444	5,054	3,497	429	(1,656)	(8,663)	(895)

Consolidated Statement of Cash Flows
For the period ended 30 June 2016

	Note	Six months 30 June 2016 USD $'000 (unaudited)	Six months 30 June 2015 USD $'000 (unaudited)
Operating loss		(1,979)	(2,129)
Adjustments for:			
Depreciation of property, plant and equipment		34	39
Amortisation and impairment of intangible assets	5	1,238	1,099
Amortisation of finance costs		-	5
Revaluation of the embedded derivative		-	162
Expense of the embedded derivative		-	34
Increase in provision for dilapidation		(1)	(4)
Net foreign exchange losses/ (gains)		17	(262)
Equity settled share based transactions		16	34
Operating cash flows before movements in working capital		**(675)**	**(1,022)**
(Increase) in inventories		(50)	(66)
(Increase)/decrease in receivables		(1)	316
(Decrease)/increase in payables		(28)	6
Increase in deferred revenue		842	287
Cash generated from/(used in) operations		**88**	**(479)**
Tax received		-	890
Tax paid		(62)	(27)
Interest paid		(5)	(120)
Net cash flow from operating activities		**21**	**264**
Investing activities			
Capitalised development costs	5	(663)	(859)
Purchases of property, plant and equipment		-	(2)
Net cash flow used in investing activities		**(663)**	**(861)**
Financing activities			
Increase in loans from related parties	8	268	498
Repayment of borrowings		(2,614)	-
Cash proceeds from issue of share capital		3,099	-
Transaction costs on issue of shares		(88)	-
Net cash from financing activities		**665**	**498**
Net decrease in cash and cash equivalents		**23**	**(99)**
Cash and cash equivalents at beginning of period		51	443
Effect of foreign exchange rate changes		(13)	(62)
Cash and cash equivalents at end of period		61	282

Notes to the Condensed Consolidated Financial Statements

1. General information

Etherstack plc is a public company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The registered office is 30-31 Friar Street Reading, Berkshire RG1 1DX, UK.

The condensed consolidated interim financial report of the Company as at and for the six months ended 30 June 2016 comprises the Company and its subsidiaries (together referred to as 'the Group'). The principal activities of the Group throughout the period were design, development and deployment of wireless communications software and products. The principal activity of Etherstack plc (the "Company") is that of a holding company. These financial statements are presented in US$ because the Group operates in international markets and the US$ provides the most comparable currency for peer companies. All amounts are in USD and $000 unless otherwise indicated.

2. Basis of preparation

The condensed consolidated interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2015.

This condensed consolidated interim financial report does not include all the information required for full financial statements prepared in accordance with International Financial Reporting Standards, (IFRS) as adopted by the European Union and should be read in conjunction with the consolidated financial statements at 31 December 2015.The condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 26 August 2016.

2.1. Going Concern

The financial statements have been prepared on a going concern basis which assumes that the Group and the Company will continue in operational existence for the foreseeable future. For the six months to 30 June 2016, the Group incurred a loss after tax of $2,060 which includes non-cash items of $1,304 however the Group produced positive cash from operations of $88. At 30 June 2016, the Group has negative net assets of $895 although as outlined in Note 7 completion of the shortfall part of the equity raise on 6 July 2016 increased net assets by $2,889. If this share issue had been completed on 30 June 2016 then the net asset position at that date would have been $1,994.

The financial statements have been prepared on a going concern basis, the validity of which depends on the achievement of revenue targets set out in the business plan. Revenue increased in the first half of 2016 compared to the first half of 2015 and the Directors have considered the strength of the sales pipeline in particular contracts in progress, royalty and support revenue streams and cash within the Group at the date of the approval of the financial statements, and are satisfied these are sufficient to continue operations for at least 12 months from that date. In the event that revenue targets were not met then this would place a short term strain on cash reserves, although the Directors have identified further mitigating actions that could be implemented to preserve cash if required. Additionally, and as evidenced in Note 7, the Directors note the Company has a record of successful fund raising, if required, to support ongoing operations via capital raising, loan instruments and the continuing support of its major shareholders.

The Directors acknowledge that there can be no certainty these revenue targets will be met or the timing of such revenues will be in line with the cash flow forecast and the directors have therefore concluded that the combination of these circumstances represent a material uncertainty that may cast significant doubt over the ability of the Group and the Company to continue as a going concern. However, after considering these uncertainties, the Directors have a reasonable expectation that sufficient revenues and cash flows will be generated such that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Consequently, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not include the adjustments that would result if the Group and Company was unable to continue as a going concern.

Notes to the Condensed Consolidated Financial Statements

2.2. Financial reporting period

The interim financial information for the period from 1 January 2016 to 30 June 2016 is unaudited. In the opinion of the Directors, the interim financial information for the period presents fairly the financial position, and results from operations and cash flows for the period in accordance with IAS 34. The accounts incorporate comparative figures for the interim period 1 January 2015 to 30 June 2015 and the audited financial year to 31 December 2015. The financial information contained in this interim report does not constitute statutory accounts as defined by section 435 of the Companies Act 2006.

The comparatives for the full year ended 31 December 2015 are not the Company's full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, but included a reference to going concern issues, which the auditors drew attention to by way of emphasis, without qualifying their report and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

3. Judgements and estimates

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2015.

4. Significant accounting policies

The accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2015 except for the adoption of new standards and interpretations noted below.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted.

The adoption of amendments to IAS 16 had no impact to the Group given that the Group has not used a revenue-based method to depreciate its tangible non-current assets.

The adoption of amendments to IAS 38 has an impact on the Group as amortisation of the Customer relationship intangible asset was previously based on the pattern of expected benefits which was supported by actual and forecast revenues derived from the customer relationship. With effect from 1 January 2016, the Group has changed its amortisation method to comply with IAS 38 and has adopted a straight line amortisation policy for Customer relationship intangibles.

The impact of the change to the amortisation method is to increase the amortisation charge in the half year and decrease the net book value of the assets by $35.

Notes to the Condensed Consolidated Financial Statements

5. Intangible assets

Intangible assets comprise costs incurred on the development of specific products that meet the criteria set out in IAS 38 Intangible Assets. The amortisation period for development costs incurred on the Group's intellectual property developments is over the useful life estimate of 6 years or over the estimated delivery model, whichever is shorter. Amortisation does not take place until the asset is fully completed.

Engineering software is amortised over its expected useful life of 5 years.

In prior periods, the intangible asset represented by acquired Customer relationships was amortised based on the pattern of expected economic benefits derived from the acquired customer contracts. As outlined in Note 4 above, following changes to IAS applicable to accounting periods starting on or after 1 January 2016, there is a change in amortisation method, with amortisation of the intangible asset represented by acquired Customer relationships now done on a straight line basis over the 5.5 year period from 1 January 2016 to 30 June 2021.

	Capitalisation of development costs USD $'000	Engineering software USD $'000	Acquired Customer relationship USD $'000	Goodwill USD $'000	Total USD $'000
Cost					
At 1 January 2015	14,779	697	900	353	16,729
Additions	859	-	-	-	859
Exchange differences	-	-	(55)	-	(55)
At 30 June 2015	15,638	697	845	353	17,533
At 1 January 2016	16,356	697	805	-	17,858
Additions	663	-	-	-	663
Exchange differences	-	-	13	-	13
At 30 June 2016	17,019	697	818	-	18,534
Accumulated amortisation					
At 1 January 2015	6,273	505	329	-	7,107
Charge for the period	973	44	38	-	1,055
Impairment	44	-	-	-	44
Exchange differences	-	-	-	-	-
At 30 June 2015	7,290	549	367	-	8,206
At 1 January 2016	10,618	576	377	-	11,571
Charge for the period	1,152	21	50	-	1,223
Impairment	15	-	-	-	15
Exchange differences	-	-	-	-	-
At 30 June 2016	11,785	597	427	-	12,809
Carrying amount					
At 30 June 2016	5,234	100	391	-	5,725
At 30 June 2015	8,348	148	478	353	9,327

Notes to the Condensed Consolidated Financial Statements

6. Convertible notes

At 30 June 2015 there were 3,860,000 convertible notes in issue. Each note had a nominal value of AUD$1.00 and is redeemable at the option of the Company or the holder within the first 12 months of issue if mutual consent is given, and after this time at the option of the Company.

At 30 June 2016, all convertible notes have reached their maturity date and are no longer convertible into fully paid ordinary shares. The convertible notes have either been repaid, converted into equity through the capital raise outlined in Note 7 or converted into short terms loans which do not contain conversion rights.

Fair Value

The conversion rights attached to the convertible notes represented an embedded derivative and was the only financial liability measured at fair value. This financial liability as at 30 June 2016 is $Nil (31 December 2015: $48). Derivative financial instruments are valued using internal models. The fair values are determined using option pricing models (Black Scholes), which use various inputs including current market prices for underlying instruments, time to expiry, current rates of return and volatility of underlying instruments. Prices are sourced from quoted market prices. Such instruments are classified within Level 3 valuation technique.

For all other financial assets and liabilities the fair value is not materially different to book value.

7. Share Capital

On 20 January 2016, the Company announced plans to raise up to AUD $9.6 million through a renounceable entitlement offer whereby eligible shareholders were offered rights to acquire 3 new CHESS Depository Interests (CDIs) issued over a fully paid ordinary share of 0.4p each in the capital of the Company every 1 share or CDI held.

Shares not taken up or shares held by ineligible shareholders would be offered to investors through the shortfall offer.

There were two share issues as part of this capital raise although one was shortly after 30 June 2016 and is not reflected in the 30 June 2016 balance sheet.

On 4 May 2016, the Company issued 40,877,859 shares to eligible shareholders. These shares were issued at AUD 10 cents raising AUD $4,087,786 before costs of the issue. This increased shareholders equity by USD $3,011 after costs of the issue. As noted in the Entitlement Issue prospectus, the proceeds of the issue was to repay debt and convertible notes and this portion of the raise included offset of amounts of USD $2,702 owed by the Company.

After this issue, there were 72,858,643 fully paid ordinary shares in issue.

Post balance date share issue

On 6 July 2016, the Company issued 38,826,670 shares under the shortfall offer. These shares were also issued at AUD 10 cents raising AUD $3,882,667 before costs of the issue. This issue increased shareholders equity by USD $2,889 after costs of the issue. The proceeds of this issue included offset of amounts of USD $2,353 owed by the Company.

The aggregate issue is therefore 79,704,529 shares, raising AUD $7,970,453 (before issue costs) and increasing the issued capital of the Company from 6 July 2016 to 111,685,313 fully paid ordinary shares.

Notes to the Condensed Consolidated Financial Statements

Pro forma balance sheet

If the 6 July 2016 share issue had occurred on or before 30 June 2016 then the balance sheet would be as follows:

	Actual 30 June 2016 USD $'000	Pro Forma 30 June 2016 USD $'000
NON-CURRENT ASSETS	5,958	5,958
CURRENT ASSETS		
Inventories, trade and other receivables	2,144	2,144
Cash and bank balances	61	597
	2,205	2,741
TOTAL ASSETS	8,163	8,699
NON-CURRENT LIABILITIES	299	299
CURRENT LIABILITIES		
Trade and other payables	3,868	3,868
Borrowings	3,375	1,022
Deferred revenue	1,396	1,396
Current tax liabilities	120	120
	8,759	6,406
TOTAL LIABILITIES	9,058	6,705
NET ASSETS	(895)	1,994
EQUITY		
Share capital	444	645
Share premium account	5,054	7,742
Other reserves	2,270	2,270
Retained earnings	(8,663)	(8,663)
TOTAL EQUITY	(895)	1,994

8. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in these financial statements.

David Deacon, a director of the company and entities related to David Deacon were owed $1,667 at 31 December 2015. During the half year:

- Loans to the group were advanced $8 (2015:$14) and loan repayments of $4 were made (2015: $10). In addition, loans of $15 (2015 $92) were advanced by the deferral of salary payments.

Notes to the Condensed Consolidated Financial Statements

- Interest accrued in the period of $31 (2015: $44)
- David Deacon held 570,516 convertible notes with the nominal value of AUD $571,000. Interest of $20 was accrued for the period and nil payments were made (2015:$8). In addition David Deacon held 250,000 convertible notes with the nominal value of AUD $250,000 and during the period interest of $6 was accrued. On maturity of the convertible notes the amount due was added to the loan
- On 4 May 2016, AUD $3,000,000 (USD $2,275) payable by David Deacon relating to his subscription in the Entitlements issue was offset against the amounts due to David Deacon and the entity related to David Deacon.

At 30 June 2016, the related entity loan is fully repaid and $92 remains owing to David Deacon. The loan is unsecured, not subject to specific repayment terms, and interest is at 8% pa.

Paul Barnes, a director of the company and entities related to Paul Barnes, were owed $286 at 31 December 2015. During the half year:

- Interest of $3 (2015:$3) was accrued and payments of $Nil (2015:$Nil) were made.
- Loans of $83 (2015 $24) were advanced by the deferral of salary payments and expenses.
- Paul Barnes held 180,000 convertible notes with the nominal value of GBP 100,000. Interest of $3 was accrued for the period and nil payments were made. On maturity of the convertible notes the amount due was added to the loan.
- On 4 May 2016, AUD$ 513,500 (USD $389) of Paul Barnes subscription in the Entitlements issue was offset against the amounts due to Paul Barnes.

At 30 June 2016, USD $132 is owing to Paul Barnes. The interest bearing portion of the loan is nil (2015 $152) is unsecured, not subject to specific repayment terms and interest is at 8% pa. The portion of the loan represented by deferred wages and expenses, $132 (2015 $109) is unsecured, not subject to specific repayment terms and interest free.

Peter Stephens, a director of the company and entities related to Peter Stephens were owed $1,027 at 31 December 2015. During the half year:

- Peter Stephens advanced a $268 loan. In addition, loans of $20 (2015 $21) were advanced by the deferral of salary payments.
- Interest for the period of $39 was accrued (2015: $12) and payments of Nil (2015:$Nil) were made.
- 180,000 convertible notes with a nominal value of AUD$ 180,000. During the period, interest of $5 was accrued. On maturity of the convertible notes the amount due was added to the loan.
- On 4 May 2016, AUD$ 49,500 (USD $38) of Peter Stephens's subscription in the Entitlements issue was offset against amounts due to Peter Stephens.

At 30 June 2016, $1,455 is owing to Peter Stephens. The interest bearing portion of the loan is $1,331 (2015: $947) is unsecured, not subject to specific repayment terms and interest is at 8% pa. The portion of the loan represented by deferred wages and expenses $124 (2015 $103) is unsecured, not subject to specific repayment terms and interest free.

On 6 July 2016, a further AUD$ 1,500,000 (USD $1,120) representing participation in the shortfall issue was offset against the amounts due to Peter Stephens.

Directors' Declaration

In the opinion of the Directors:

(a) The financial statements and notes set out on pages 8 to 17*:*

- (i) comply with Accounting Standard IAS 34 Interim Financial Reporting
- (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the six months ended on that date; and

(b) 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 is made in accordance with a resolution of Directors.

David Deacon
Director

26 August 2016

Corporate Information

Company Registration No. 7951056

ARBN 156 640 532

Directors
Peter Stephens (Non-Executive Chairman)
David Deacon (Executive Director and Group Chief Executive Officer)
Paul Barnes FCCA (Non-Executive Director)
Scott W. Minehane (Non-Executive Director)

Company Secretaries
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David Carter (Australia)

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