Tesserent Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Tesserent Limited
ABN:	13 605 672 928
Reporting period:	For the half-year ended 31 December 2015
Previous period:	For the half-year ended 31 December 2014

2. Results for announcement to the market

				$
Revenues from ordinary activities	Up	31.4%	to	2,309,186
Profit from ordinary activities after tax attributable to the owners of Tesserent Limited	up	44.2%	to	76,529
Profit for the half-year attributable to the owners of Tesserent Limited	up	44.2%	to	76,529

Dividends

Not applicable.

Comments
The profit for the consolidated entity after providing for income tax amounted to $76,529 (31 December 2014: $53,075).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	-2.34	N/A

4. Control gained over entities

In July 2015 as a result of a restructure, the Company acquired 100% of the issued capital of the following companies:
- Tesserent Australia Pty Ltd
- Tesserent IP Pty Ltd
- Tesserent Wholesale Pty Ltd
- Tesserent UK Ltd

5. Audit qualification or review

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

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

Tesserent Limited
Appendix 4D
Half-year report

6. Attachments

Details of attachments (if any):

The Interim Report of Tesserent Limited for the half-year ended 31 December 2015 is attached.

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7. Signed

Signed ______________________ Date: 29 February 2016

Russell Yardley
Director
Melbourne

Tesserent Limited

ABN 13 605 672 928

Interim Report - 31 December 2015

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Tesserent Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

Directors

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

Keith Glennan (appointed 6 May 2015)
Russell Yardley (appointed 16 November 2015)
Gregory Baxter (appointed 16 November 2015)
Stefano (Steve) Bertamini (appointed 16 November 2015)
Paul Brandling (appointed 16 November 2015)
Oliver Carton (resigned 16 November 2015)
Robert Langford (resigned 16 November 2015)

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- IT security managed services
- Software licensing

Operating Result

The profit for the consolidated entity after providing for income tax amounted to $76,529 (31 December 2014: $53,075).

The company listed on the Australian Securities Exchange (ASX) on 15 February 2016 following significant planning and preparation during the period under review. In July 2015, the company acquired a number of subsidiaries as part of a strategy to develop a comprehensive internet security offering, the details of which are outlined in the company's replacement prospectus lodged on 17 November 2015.

Review of Operations

In the six months to 31 December 2015, Tesserent produced revenues from Managed Network Security Services of $2,111,205, 20% up on the $1,757,134 from the corresponding prior comparable period.

The provision of Managed Network Security Services (MNSS) represents the original core business with management efforts focussing on gaining market penetration. Typically, contracts signed within this business segment are long-dated, providing secure revenue sources. The segment has generated revenue from a broad customer base and the recent IPO listing will enable the company to expand that customer base and secure larger-valued contracts.

In addition to the on-going provision of MNSS, the company is also generating revenue from the licensing of its software platform to Channel Partners. Focus on the Channel Partners has resulted in some favourable business developments and the recent IPO will enable the business to further develop this segment.

The reported result has been adjusted by adding back non-recurring costs of $279,464 to determine the underlying result. The underlying result is reflective of the on-going benefits delivered from corporate restructuring and preparing for an Initial Public Offering. Taking these matters into account the NPBT for six months ending 31 December 2015 was $43,562 (by comparison with $114,695 in the corresponding period in 2014). The following table provides these comparisons:

For the six months ended 31 December	**2015 NPBT $**	**2014 NPBT $**
(Loss)/Profit before income tax expense	(235,902)	114,695
Non-recurring costs -		
Executive Recruitment Costs	30,050	-
Finance Costs	68,624	-
IPO Costs	135,249	-
Restructure Costs	45,541	-
Total	279,464	-
Adjusted underlying result	43,562	114,695

Notes:

1. NPBT refers to Net Profit Before Tax.
2. The reported result for 2015 includes costs considered to be non-recurring in nature, and includes costs associated with restructuring and undertaking an Initial Public Offer (IPO). An analysis of these costs is set out above.

The company has recently completed its IPO. While management effort has been focussed on maintaining business growth objectives, considerable time has been spent in achieving the IPO.

The normalisation of the 2015 result at the NPBT line, demonstrates a profitable underlying result. The focus on business activity in driving revenue opportunities and managing costs together with the underlying business platform should ensure a strong performance going forward.

Significant changes in the state of affairs
In July 2015 the company acquired 100% of the issued capital of the following companies:

- Tesserent Australia Pty Ltd
- Tesserent IP Pty Ltd
- Tesserent Wholesale Pty Ltd
- Tesserent UK Ltd

The company issued a Prospectus on 17 November 2015, raised $7.0 million and listed on the ASX on 15 February 2016.

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

Post Balance Date Event
The company listed on the ASX on 15 February 2016, raising $7.0 million. Costs directly associated with the capital raising of approximately $0.849 million will be offset against the funds raised.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Russell Yardley
Director

29 February 2016
Melbourne

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Australia

DECLARATION OF INDEPENDENCE BY SIMON SCALZO TO THE DIRECTORS OF TESSERENT LIMITED

As lead auditor for the review of Tesserent Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Tesserent Limited and the entities it controlled during the period.

Simon Scalzo
Partner

BDO East Coast Partnership

Melbourne, 29 February 2016

Contents

General information

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

Tesserent Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	**Principal place of business**
Level 2 683 Burke Road Camberwell VIC 3124	Level 2 683 Burke Road Camberwell VIC 3124

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 February 2016.

Tesserent Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

	Note	Consolidated 31 December 2015 $	Consolidated 31 December 2014 $
Revenue	4	2,309,186	1,757,134
Expenses			
Costs of goods sold		(915,035)	(577,112)
Administration expenses		(501,134)	(396,669)
Employee benefits expense		(781,076)	(432,895)
Impairment of loans receivable		-	(59,719)
Initial public offering expense		(135,249)	-
Depreciation and amortisation expense		(60,734)	(49,234)
Travel expenses		(5,587)	(16,051)
Other expenses		(71,760)	(49,156)
Finance costs		(74,513)	(61,603)
(Loss) /Profit before income tax expense		(235,902)	114,695
Income tax benefit/(expense)		312,431	(61,620)
Profit after income tax expense for the half-year		76,529	53,075
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year		76,529	53,075

	Cents	Cents
Earnings per share		
Basic earnings per share	0.15	N/A
Diluted earnings per share	0.15	N/A

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

Tesserent Limited
Statement of financial position
As at 31 December 2015

	Note	Consolidated 31 December 2015 $	30 June 2015 $
Assets			
Current Assets			
Cash and cash equivalents		295,416	516,595
Trade and other receivables		377,871	187,108
Prepayments		53,014	24,711
Inventories		53,403	-
Other current assets		849,083	296,927
Total Current Assets		1,628,787	1,025,341
Non-Current Assets			
Receivables		1,064	249,169
Plant and equipment		352,635	353,171
Intangibles	5	396,299	25,503
Deferred tax assets		365,398	59,267
Other non-current assets		70,678	89,158
Total Non-Current Assets		1,186,074	776,268
Total Assets		2,814,861	1,801,609
Liabilities			
Current Liabilities			
Trade and other payables		991,756	578,379
Loans and borrowings		1,537,504	211,948
Income tax payable		30,414	30,414
Provisions		120,457	88,217
Deferred revenue		904,143	925,488
Total Current Liabilities		3,584,274	1,834,446
Non-Current Liabilities			
Loans and borrowings		-	1,324,057
Deferred tax liabilities		-	6,300
Provisions		48,003	42,812
Total non-current liabilities		48,003	1,373,169
Total Liabilities		3,632,277	3,207,615
Net Deficit		(817,416)	(1,406,006)
Equity			
Issued capital		2,082,232	1,609,260
Reserves		39,089	-
Accumulated losses		(2,938,737)	(3,015,266)
Total Equity		(817,416)	(1,406,006)

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

Tesserent Limited
Statement of changes in equity
For the half-year ended 31 December 2015

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 July 2014	1,609,259	-	(3,107,333)	(1,498,074)
Profit after income tax expense for the half-year	-	-	53,075	53,075
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	53,075	53,075
Balance at 31 December 2014	1,609,259	-	(3,054,258)	(1,444,999)

Consolidated	Issued capital $	Reserves $	Accumulated losses $	Total Equity $
Balance at 1 July 2015	1,609,260	-	(3,015,266)	(1,406,006)
Profit after income tax expense for the half-year	-	-	76,529	76,529
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	76,529	76,529
Transactions with owners in their capacity as owners:				
Options issued during the period	-	39,089	-	39,089
Paid up share capital	12			12
Shares issued during the period	472,960	-	-	472,960
Balance at 31 December 2015	2,082,232	39,089	(2,938,737)	(817,416)

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

Tesserent Limited
Statement of cash flows
For the half-year ended 31 December 2015

	Note	Consolidated 31 December 2015 $	31 December 2014 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,284,063	1,771,074
Payments to suppliers and employees (inclusive of GST)		(2,828,487)	(1,577,649)
		(544,424)	193,425
Interest received		1,707	356
Interest and other finance costs paid		(74,513)	(61,603)
Income taxes refund / (paid)		-	(12,784)
Net cash (used in)/generated from operating activities		(617,230)	119,394
Cash flows from investing activities			
Payments for, plant and equipment		(60,199)	(1,143)
Payments for intangibles		(9,133)	-
Net cash inflow from business acquisition, net of cash acquired	7	49,889	-
Net cash used in investing activities		(19,443)	(1,143)
Cash flows from financing activities			
Proceeds from share issue		472,960	-
(Repayment)/proceeds of borrowings		(57,466)	38,458
Net cash generated from financing activities		415,494	38,458
Net (decrease)/ increase in cash and cash equivalents		(221,179)	156,709
Cash and cash equivalents at the beginning of the financial half-year		516,595	32,603
Cash and cash equivalents at the end of the financial half-year		295,416	189,312

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

Note 1. Summary of significant accounting policies

Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The financial statements are for the consolidated entity, comprising Tesserent Limited (“Company”) and the entities it controlled at the end of, or during the financial half year.

These consolidated financial statements have been prepared under the pooling of interests method of accounting and reflect the combined financial position and operating results of Tesserent Limited and its wholly owned subsidiaries.

The ‘pooling of interests method’ (or merger accounting), treats the consolidated group as if they had been combined throughout the current and comparative accounting periods. Under this method, acquisitions have been recognised in the consolidated financial report at their book value. Investments in subsidiaries have been eliminated based upon the initial investment in the subsidiary which matched the value of shares issued by Tesserent Limited to common shareholders.

All inter group transactions have been eliminated including any unrealised gains on inventory sales within the consolidated group.

This half year report does not include all the notes of the type usually included in an annual financial report. It is recommended that this half year financial report be read in conjunction with the financial section of the Replacement Prospectus dated 17 November 2015 and any public announcements made by Tesserent Limited.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Going concern

For the half-year period ended 31 December 2015 the Company has recorded a loss before income tax of $235,902 (2014: profit $114,695) and has a net asset deficiency of $817,416 (2014: $1,406,006).The financial statements have been prepared on the basis that the Company is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

To this end, the Company is expecting to fund ongoing obligations through successful and profitable trading. Further to this, the Directors have successfully floated the company on the ASX and raised $7.0 million. The IPO was completed in February 2016.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the reporting period ended 31 December 2015. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Business combinations

Business combinations are accounted for using the pooling of interest method in respect of acquisitions where equity instruments are acquired within a commonly controlled group. For business combinations where assets or equity interests are acquired from a non-commonly controlled group, the acquisition method of accounting is used.

Pooling of interest method

The consolidated group has used the pooling of interest methodology where there is common control within the combining entity prior to the combination. At the time of the acquisition transaction, the combining entities are ultimately controlled by the same party or parties.

Under the pooling method the assets and liabilities of the acquired entities are recoded at book value not fair value and no goodwill is recorded. Any costs of the combination are expensed as incurred.

Note 1. Summary of significant accounting policies (continued)

Comparative periods are also re-stated to the later of the beginning of the earliest comparative period and the date on which the combining entities first came under common control.

Acquisition method
Under the acquisition method identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. If that amount is less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in the profit and loss as a bargain purchase.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of Goods
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of services
Revenue derived through licensing arrangements for customers who subscribe to Tesserent's security infrastructure platform (for the provision of security-as-a-service) is recognised as the services are provided over the licensing period. The company has determined that these services are provided evenly over the term of the contract.

Revenue derived from the rental of hardware by customers is recognised consistently over the licensing period, in line with service delivery.

Revenue derived from the connectivity and related support services (including installation and setup of hardware) is recognised at the time the service is provided. On the basis that monthly unused support services do not accumulate, the company recognises revenue evenly over the term of the contract, in line with service delivery.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill is measured as described in the business combination accounting policy note. Goodwill on acquisition of subsidiaries using the acquisition method is included in intangible assets. Goodwill is not amortised but is tested for impairment annually, or more frequently if events or circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains or losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 3).

Note 1. Summary of significant accounting policies (continued)

Intellectual properties
Directors have indicated that these assets are an indefinite life asset and assess them for indications of impairment annually.

Share-based payments
Equity-settled and share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

Fair value
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on 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; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The carrying amount of other current receivables, prepayment and current payables is assumed to approximate the fair value.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Tesserent Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 2. Critical accounting judgements, estimates and assumptions

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

Estimation of useful lives of assets
The consolidated group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 3. Operating segment information

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Identification of reportable operating segments
The consolidated entity is organised into two operating segments: IT Security Managed Services and Software Licensing. These two operating segments are based on the internal reports that are reviewed and used by the CEO in the capacity of CODM in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Prior to 30 June 2015, the consolidated entity operated within one segment being IT Security Managed Services.

The CEO reviews Profit before tax. The accounting policies adopted for internal reporting to the CEO are consistent with those adopted in the financial statements.

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

Types of products and services
The principal products and services of each of these operating segments are as follows:

IT Security Managed Services	Network security services to customers
Software Licensing	Licensing of network security software to partners

Intersegment transactions
Intersegment transactions were made at market rates.

Intersegment receivables, payables and loans
Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Note 3. Operating segment information (continued)

Operating segment information

	IT Security Managed Services	Software Licensing	Inter segment eliminations/ unallocated	Total
Consolidated - 31 Dec 2015	$	$	$	$
Revenue				
Sales to external customers	2,111,205	188,806	-	2,300,011
Inter segment sales	16,510	198,120	(214,630)	-
Total sales revenue	2,127,715	386,926	(214,630)	2,300,011
Other revenue	9,175	-	-	9,175
Total revenue	2,136,890	386,926	(214,630)	2,309,186
Profit before income tax expense	(275,928)	40,026	-	(235,902)
Total segment assets	2,324,682	490,179	-	2,814,861
Total segment liabilities	3,363,736	268,541	-	3,632,277

Comparative information has not been provided as the Company operated within one segment prior to 30 June 2015.

Note 4. Revenue

	Consolidated	
	31 Dec 2015	31 Dec 2014
	$	$
Sales revenue	2,300,011	1,756,778
Interest	1,707	356
Other revenue	7,468	-
Total revenue	2,309,186	1,757,134

Note 5. Intangible Assets

	Consolidated	
	31 Dec 2015	30 Jun 2015
	$	$
Intellectual Property	73,125	25,503
Goodwill	323,174	-
	396,299	25,503

Note 6. Contingent liabilities

As at the reporting date, there were no material claims or disputes of a contingent nature against the Company and its subsidiaries.

Note 7. Business combinations

a) On 15 July 2015 as a result of a restructure Tesserent Limited acquired the 100% share capital of:
- Tesserent Australia Pty Ltd
- Tesserent IP Pty Ltd (formally 443 IP Pty Ltd)
- Tesserent Wholesale Pty Ltd

On 20 May 2015, Tesserent Limited established a 100% owned subsidiary in the UK, Tesserent UK Limited. This company has been inactive since incorporation.

As outlined in the accounting policy note the company has consolidated the results of all subsidiaries using the pooling of interests method. This methodology was adopted on the basis that Tesserent Limited and its Australian based subsidiaries were all commonly controlled as at 15 July 2015 and for the comparative period. In addition to common ownership control, management control was also in place for the current and comparative periods.

In adopting the pooling of interest approach the comparative numbers have been restated as if the combination had taken place at the beginning of the earliest comparative period, being 1 July 2014. Further to this there is no goodwill recognised on acquisition as all assets and liabilities are recognised at book value – with no further adjustments required to achieve consistent accounting policies for the group.

b) On 14 July 2015, prior to Tesserent Wholesale Pty Ltd becoming a subsidiary of Tesserent Limited, it acquired the business of 443 Networks Pty Ltd, including all tangible and intangible assets and liabilities. The acquisition represented a significant opportunity for the group in order to continue expanding the group's market share while complementing the underlying business.

Details of the purchase consideration, the fair value of net assets acquired and goodwill are as follows:

	2015
Purchase consideration:	**$**
Cash paid	1
Total purchase consideration	1

	Fair value
The assets and liabilities recognised as a result of the acquisition are as follows:	**$**
Cash	49,890
Trade and other receivables	84,747
Intangible assets – IP	38,490
Trade and other payables	(188,165)
Borrowings	(308,135)
Net identifiable assets acquired	(323,173)
Add: goodwill	323,174
Purchase consideration	1

The business combination has initially been accounted for on a provisional basis in accordance with AASB 3 Business Combinations. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 7. Business combinations (continued)

The goodwill is attributable to the underlying business capability and operational performance. It will not be deductible for tax purposes.

There were no acquisitions in the period ended 31 December 2014.

(a) Summary of acquisition

Revenue and profit contribution

The acquired business contributed revenues of $188,806 and net profit before tax of $40,026 to the group for the period from 15 July 2015 to 31 December 2015. Given the nature of the business and timing of the acquisition these results are applicable for the full period.

(b) Purchase consideration – cash outflow

	31 December 2015
Outflow of cash to acquire businesses, net of cash acquired	**$**
Cash consideration	
Cash consideration	1
Less: Cash balances acquired	49,890
Net inflow of cash – investing activities	49,889

Note 8. Related parties

The consolidated financial statements include the financial statements of Tesserent Limited and its controlled entities.

The controlled entities are as follows:

Tesserent Australia Pty Ltd – acquired 15 July 2015
Tesserent Wholesale Pty Ltd – acquired 15 July 2015
Tesserent IP Pty Ltd (Previously 443 IP Pty Ltd) – acquired 15 July 2015
Tesserent UK Ltd – incorporated 20 May 2015 (dormant)

Apart from Tesserent UK Ltd all companies operate in Australia.

The total amount of transactions that were entered into with related parties for the relevant financial half-year is provided below:

On 17 November 2015 the company issued the Chairman and each Non-Executive Director with a total of 7,500,000 options over unissued shares the details of which have been set out below:

Director	**Options exercisable from 31 August 2016**	**Options exercisable from 31 August 2017**	**Options exercisable from 31 August 2018**
Steve Bertamini	500,000	500,000	500,000
Gregory Baxter	500,000	500,000	500,000
Paul Brandling	500,000	500,000	500,000
Russell Yardley	1,000,000	1,000,000	1,000,000

The options have been valued and accounted for in accordance with the requirements of AASB 2 *Share-based Payments.*

Note 8. Related parties (continued)

During the current period, prior to listing the company, the following directors or parties related to directors, subscribed for shares in the company:

Date	Name	Number of Shares	Amount Paid
03/09/15	Steve Bertamini	1,200,000	$100,000
03/09/15	Gregory Baxter	1,200,000	$100,000
03/09/15	Paul Brandling	1,200,000	$100,000
03/09/15	Russell Yardley	600,000	$50,000
10/11/15	RTSF Super Pty Ltd*	1,200,000	$100,000

**Related party to Robert Langford*

Note 9. Events after the reporting period

The company listed on the ASX on 15 February 2016, raising $7.0 million. Costs directly associated with the capital raising up to 31 December 2015 of approximately $0.849 million will be offset against the funds raised.

Apart from the above no other matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Tesserent Limited
Directors' declaration
31 December 2015

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Russell Yardley
Director

29 February 2016
Melbourne

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Tesserent Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tesserent Limited, which comprises the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tesserent Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Tesserent Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Tesserent Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity’s financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO East Coast Partnership

BDO

Simon Scalzo
Partner

Melbourne, 29 February 2016