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# 2018 ANNUAL REPORT

techmpire 

# CORPORATE DIRECTORY

## DIRECTORS

Mr Stephen Belben  
*Non-Executive Chairman*

Mr Mathew Ratty  
*Managing Director and Chief Executive Officer*

Mr Renaud Besnard  
*Non-Executive Director*

## COMPANY SECRETARY

Ms Susan Hunter

## PRINCIPAL AND REGISTERED OFFICE

Suite 10, 16 Brodie Hall Drive  
Bentley WA 6102

Telephone: +61 8 9473 2500  
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## SHARE REGISTER

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770 Canning Highway  
Applecross WA 6153

Telephone: +61 8 9315 2333  
Facsimile: +61 8 9315 2233

## SECURITIES EXCHANGE LISTING

Tech Mpire Limited shares are listed  
on the Australian Securities Exchange  
(ASX: TMP)

## 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



TABLE OF CONTENTS

	Page
Letter to Shareholders	2
Directors' Report	4
Auditor's Independence Declaration	20
Consolidated Statement of Profit and Loss and Other Comprehensive Income	21
Consolidated Statement of Financial Position	22
Consolidated Statement of Cash Flows	23
Consolidated Statement of Changes in Equity	24
Notes to the Financial Statements	25
Directors' Declaration	58
Independent Auditor's Report	59
ASX Additional Information	65



## LETTER TO SHAREHOLDERS



Mathew J. Ratty  
*Chief Executive Officer*



Stephen Belben  
*Non-Executive Chairman*

### **Dear Shareholder,**

We are pleased to provide Tech Mpire's Annual Report for the 2018 financial year.

Throughout FY18, the Company's concerted efforts to drive innovation through its 4 pillar technology strategy have delivered valuable new opportunities for Tech Mpire.

The 4 pillar technology strategy was launched at the end of FY17 as a framework to guide the development of the Company's proprietary technology in FY18. These 4 pillars have been implemented to drive superior advertising performance for our global clients:

1. Investment in big data analytics and automation
2. Accessing higher-volume sources of supply
3. Strengthening our mobile business
4. Continuing the evolution of quality assurance measures

### **TrafficGuard Launch as a SaaS**

Initiatives in each of these pillars had a strong impact on the development of Tech Mpire's proprietary advertising fraud mitigation solution, TrafficGuard, which evolved rapidly over the period.

While TrafficGuard was initially developed to mitigate fraud for Tech Mpire's performance advertising division, Mpire Network, its increasingly sophisticated use of data and machine learning has made it broadly appealing to other parties in the advertising supply chain.

In April, the Company filed a patent application to protect new TrafficGuard intellectual property and announced its intention to launch TrafficGuard software as a service (SaaS).

Digital ad fraud is forecast to cost businesses US\$19 billion globally, in the 2018 calendar year. Inadequacy of existing fraud management solutions has been evident from the volumes of fraud detected by TrafficGuard. Existing fraud prevention tools predominantly report on fraud rather than actually blocking 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 but for some reason in digital advertising, that hasn't been the case until now. TrafficGuard is comprised of multiple layers of scoring, algorithms, thresholds and machine learning, applied to the click, install and post-install events. We are excited to be the first mobile ad fraud prevention specialists with our unique triple layered protection.

### **Strategic Solution to Supply-Related Challenges**

Despite strong demand for performance advertising throughout the year, Mpire Network continued to face challenges in accessing adequate volumes of quality supply. Finding a solution to these challenges was the top priority of leadership.

In the second half of FY18, Tech Mpire entered into negotiations to form a strategic alliance with Canadian performance marketplace, ClearPier. In July 2018, negotiations culminated in the sale of a 90% stake in Mpire Network. ClearPier's extensive supply network, together with existing operational synergies between the two businesses, made them a natural fit, addressing Mpire's supply challenges.

A profit share agreement with ClearPier allows Tech Mpire to benefit from the upside of future revenue, whilst the reduced interest in performance advertising enables the Company to now focus on its higher margin software business.

### **Growing our SaaS Business**

In launching TrafficGuard, Tech Mpire continues to build a reputation as a global advertising technology innovator.

In development for over 2 years, TrafficGuard's first application has been mitigating digital advertising fraud. Tech Mpire is currently exploring future opportunities to extend TrafficGuard's core technology to other digital applications including payment protection and web/app security.

In addition to the thorough product development roadmap for TrafficGuard, Tech Mpire is exploring the feasibility of commercialising components of nxus as SaaS solutions. nxus comprises proprietary data-driven tools for mediation and optimisation of digital advertising, as well as traffic partner management.

Considerable time and effort has been invested in the development of TrafficGuard and nxus, and we are pleased that these tools now represent significant revenue opportunities as SaaS products.

### **Thanks for your Continued Support**

Tech Mpire would like to thank our global team and executive leadership who achieved so much this year in the development of our technology and readying TrafficGuard for commercialisation. Thank you also to our board members for their valuable guidance in positioning Tech Mpire for future success as a global SaaS company.

As Tech Mpire's focus shifts to commercialising our world class technology, we are confident that our efforts will translate into growth for Tech Mpire and strong returns for our shareholders. On behalf of Tech Mpire, we would like to thank you, our shareholders, for your continued support.

Yours sincerely,



Mathew J. Ratty  
Chief Executive Officer



Stephen Belben  
Non-Executive Chairman

## DIRECTORS' REPORT

The directors present their report together with the financial report of Tech Mpire Limited (Tech Mpire or Company) and its controlled entities (collectively referred to as the Group) for the financial year ended 30 June 2018 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 Western Australia. Whilst at Ernst & Young, Mr Belben was appointed the national partner in charge of the firm's Minerals and Energy Industry Group responsible for the development 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

##### *Interim Managing Director and Chief Executive Officer (Appointed on 20 March 2018)*

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 of 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 Ratty resigned as Non-Executive Director and was appointed as an Executive Director on 21 December 2017. He was subsequently appointed as Interim Managing Director and Chief Executive Officer on 20 March 2018.

#### Mr Lee Hunter

##### *Managing Director and Chief Executive Officer (Resigned on 20 March 2018)*

Mr Hunter is a former senior Google executive, most recently serving as the Head of Marketing Strategy & Innovation for Google Asia-Pacific, where he was responsible for incubating and launching innovative strategies for the company's key business priorities across the Asia-Pacific region. He also served as Head of Advertiser Acquisition & Growth Marketing for Google UK and Ireland, where he was tasked with running the Google AdWords advertiser acquisition strategy which resulted in the company consistently exceeding targets in Europe's largest market.

Mr Hunter also spent several years at YouTube, most recently as Global Head of Brand & Creative, where he led many of the online video channel's biggest entertainment initiatives including the YouTube Music Awards and the YouTube Rewind 2012 and 2013 campaigns, as well as spearheading branding and creative development. Mr Hunter was Head of Consumer Marketing across EMEA for YouTube and has also held senior roles at Deutsche Bank and AMP Financial Services.

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

Mr Hunter holds a Masters in Marketing, a Graduate Certificate in Applied Finance & Investments, a Bachelor of Arts and a Diploma of Financial Services.

Mr Hunter resigned from the position of Managing Director and Chief Executive Officer on 20 March 2018 to take up the role of Chief Operations Officer.

#### Mr Renaud Besnard

##### *Non-Executive Director (Appointed on 11 July 2017)*

Mr Besnard is currently the Director of Marketing for Asia-Pacific (excl. India) at Uber Technologies Inc., based in Singapore. In this role, Mr Besnard is responsible for the development of Uber's marketing strategy and its execution across the region. At Uber, Mr Besnard has seen success in rapidly growing usage across the product portfolio and launching brand reputation initiatives, while nurturing a world-class marketing team throughout Asia-Pacific.

Prior to joining Uber in 2016, Mr Besnard was a long-standing Google executive, having spent almost 10 years in senior positions in Europe and Asia. Mr Besnard notably accelerated small and medium business customer acquisitions, and then led Google's advertising product marketing strategy for Europe, Middle-East, and Africa. Amongst many roles at Google, he also 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).

## INTERESTS IN THE SECURITIES OF THE COMPANY AND RELATED BODIES CORPORATE

As at 30 June 2018 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 2018		As at the date of this report	
	Ordinary shares	Share options	Ordinary shares	Share options
S. Belben	200,000	500,000	200,000	500,000
M. Ratty	6,551,676	500,000	6,551,676	500,000
R. Besnard (appointed on 11 July 2017)	-	500,000	-	500,000

## COMPANY SECRETARY

Ms Susan Hunter was appointed to the position of joint company secretary on 29 September 2017. Ms 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.

Mr Tim Allison resigned as joint company secretary on 22 May 2018. Mr Allison is a Chartered Accountant with over 7 years' experience.

Ms Clare Madelin resigned as joint company secretary on 18 September 2017. Ms Madelin is a Chartered Accountant with over 30 years' experience.

## 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

For the current and prior year, the principle activity of the Group was to provide performance-based online advertising services using its proprietary software, nxus®. nxus was developed specifically for digital advertising campaign mediation, optimisation and management.

The growing prevalence of ad fraud and invalid traffic, presented an opportunity for the Group to develop its digital advertising fraud mitigation software, TrafficGuard®. TrafficGuard was implemented as a software service to a number of top-tier clients in October 2016. During the current year, increased focus was placed on the development of TrafficGuard with the objective of commercialising it in early FY19.

## OPERATING AND FINANCIAL REVIEW

As shown in the table below, during the current financial year the Company experienced a significant downturn in revenue from its performance marketing division which is attributable to the challenges faced by the Group in accessing quality online traffic supplies.

	FY 2018	FY 2017	FY 2016
Revenue from performance marketing	\$15,483,256	\$37,025,141	\$32,123,476

The growing prevalence of ad fraud and invalid traffic presented an opportunity to the Group and led to the development of TrafficGuard®. TrafficGuard is the Group's fraud prevention technology which detects, mitigates and reports on mobile advertising fraud before the fraud impacts on the advertisers' mobile advertising budgets, protecting advertisers from both the direct and indirect costs of fraud.

After a stringent review of operations and sector outlook, the Board decided to focus the Company's resources towards achieving its key objective of being a leader in ad technology. Consequently, the Company's focus shifted away from performance marketing and was instead directed towards the further development and future commercialisation of nxus and TrafficGuard.

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**).

On 31 July 2018, Livelynk executed a share purchase agreement for the sale of 90% of Mpire Network, to ClearPier for a cash consideration of \$900,000 (\$500,000 received upfront and \$400,000 deferred) plus a maximum of \$6,000,000 under a 3 year profit share agreement.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

For purposes of financial reporting, the performance marketing division has been classified as a discontinued operation. The post-tax loss of the discontinued operation has been disclosed as a single amount in the consolidated statement of comprehensive income, and the assets and liabilities of Mpire Network have been shown as "held for sale" in the consolidated statement of financial position. The comparative information for FY17 in the consolidated statement of comprehensive income has been restated accordingly.

A summary of the operating results achieved by the Group over the last 4 years is set out below. 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.

	Note	FY 2018 \$	FY 2017 \$	FY 2016 \$	FY 2015 \$
Grant income	1	-	-	187,594	-
Sundry income		73,311	51,178	151,933	151,555
<b>Other income</b>		<b>73,311</b>	<b>51,178</b>	<b>339,527</b>	<b>151,555</b>
Server hosting costs	2	(760,847)	(368,216)	(166,212)	(66,999)
Administration, marketing and occupancy costs	3	(893,904)	(738,200)	(390,401)	(339,585)
Compliance and consultancy costs	4	(551,522)	(365,010)	(309,177)	(106,217)
Employment costs	2	(4,777,622)	(3,406,094)	(1,990,483)	(1,441,368)
Bad and doubtful debts expense		(1,000)	-	(194,514)	(113,845)
Foreign exchange differences		(127,754)	(112,881)	9,144	(130,524)
Finance costs		(23)	(17)	(41,043)	(15,991)
Depreciation		(52,631)	(67,285)	(18,210)	(19,150)
<b>Overheads</b>		<b>(7,165,303)</b>	<b>(5,057,703)</b>	<b>(3,100,896)</b>	<b>(2,233,679)</b>
Share based payments	5	(111,621)	(215,442)	(4,250,454)	-
Corporate transaction costs		-	-	(30,484)	(1,817,674)
Excess consideration on reverse acquisition		-	-	-	(6,167,441)
Reversal of prior period sale		-	-	-	(488,250)
<b>Other expenses</b>		<b>(111,621)</b>	<b>(215,442)</b>	<b>(4,280,938)</b>	<b>(8,473,365)</b>
<b>Loss before tax</b>		<b>(7,203,613)</b>	<b>(5,221,967)</b>	<b>(7,042,307)</b>	<b>(10,555,489)</b>
Income tax (expense) / benefit		(47,971)	191,148	(258,056)	(58,195)
<b>Loss after tax - continuing operations</b>		<b>(7,251,584)</b>	<b>(5,030,819)</b>	<b>(7,300,363)</b>	<b>(10,613,684)</b>
<b>Profit / loss after tax - discontinued operations</b>		<b>(257,811)</b>	<b>5,448,025</b>	<b>3,653,798</b>	<b>282,192</b>
<b>Profit / (loss) after tax for the Group</b>		<b>(7,509,395)</b>	<b>417,206</b>	<b>(3,646,565)</b>	<b>(10,331,492)</b>

### Notes

- The grant income received in FY16 related to the Group's research and development spending incurred in FY15. In subsequent years, the Group has been eligible for a research and development rebate in the form of an off-set against its income tax liability.
- Server hosting costs and employment costs increased in FY18 in accordance with the Board's decision to focus on the development of its software as a service offerings.
- Administration, marketing and occupancy costs have increased in FY18 largely as a result of additional software subscriptions required to support the development of nxus and TrafficGuard together with an office being opened in Singapore to enable the Group to target the Asia Pacific region.
- Compliance and consultancy costs have increased in FY18 largely as a result of the additional fees incurred in relation to the placement shares issued in December 2017.
- The significant share based payments expense in FY16 related to the vesting of the Class A and Class B performance rights on the achievement of revenue and profit milestones.



## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

As set out above, the challenges faced by the Group in accessing quality online traffic had a significant negative impact on the Group's revenue from performance-based advertising.

After a stringent review of operations and sector outlook, the Board decided to focus the Company's resources on the development and future commercialisation of its core advertising technology and offer both its ad fraud mitigation platform, TrafficGuard, and its advertising management platform, nxus, as software as a service products.

The performance marketing division has been classified as a discontinued operation in the financial statements.

## SIGNIFICANT EVENTS AFTER BALANCE DATE

On 31 July 2018, the Company's wholly owned subsidiary, Livelynk Group Pty Ltd, executed a share purchase agreement for the sale of 90% of Mpire Network Inc, to ClearPier Inc for a cash consideration of \$900,000 (\$500,000 received upfront and \$400,000 deferred) plus a maximum of \$6,000,000 under a 3 year profit share agreement.

No other event has arisen since 30 June 2018 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 Board intends to focus the Company's resources on the continued development and commercialisation of both the TrafficGuard and nxus products and offer them to established businesses in the rapidly growing advertising industry. Commercialisation of these products is a logical step for Tech Mpire as it represents a potential major revenue source for the Company and is expected to operate as a higher margin business than performance-based marketing.

## 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 2018 and the date of this report, there were 2,000,000 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
		2,000,000

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, no options have been exercised to acquire ordinary shares (2017: NIL).

## PERFORMANCE RIGHTS

### Unissued Shares

As at 30 June 2018 and the date of this report, there were 1,233,332 unissued ordinary shares under performance rights. 33,332 performance rights vested on 29 June 2018 and will be converted to shares subsequent to the date of this report. Refer to the remuneration report and note 16 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 7,500,000 performance rights were converted into ordinary shares (2017: 33,334).

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: 14

	Number of meetings eligible to attend	Number of meetings attended
S. Belben	14	14
L. Hunter	10	10
M. Ratty	14	14
R. Besnard	13	11

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	85,733

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 20 for the year ended 30 June 2018.

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2018 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

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### 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 2018. 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
M. Ratty	Non-Executive Director from 1 July 2017 to 21 December 2017 when appointed as Executive Director
R. Besnard	Non-Executive Director appointed on 11 July 2017

#### Executive Directors

L. Hunter	Managing Director and Chief Executive Officer, resigned 20 March 2018 and appointed as Senior Executive
M. Ratty	Appointed as Executive Director on 21 December 2017 and interim Managing Director and Chief Executive Officer on 20 March 2018

#### Senior Executives

L. Taylor	Chief Technology Officer
L. Hunter	Chief Operations Officer, appointed on 20 March 2018, resigned on 18 July 2018
J. Botnick	Managing Director of Mpire Network Inc, resigned on 21 November 2017
J. Dutton	Managing Director of Mpire Operations Asia Pacific Pte Ltd, appointed 5 December 2017
C. Madelin	Chief Financial Officer, resigned on 18 September 2017
T. Allison	Chief Financial Officer, appointed on 18 September 2017, resigned on 15 June 2017
F. Muir	Chief Financial Officer, appointed on 25 June 2018

### 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.

#### 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 Tech Mpire Limited's constitution is \$500,000 per year, which may be varied by shareholders in general meeting.

## REMUNERATION REPORT (AUDITED) (CONTINUED)

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, during the current year, a non-executive director in office received 500,000 options on 26 October 2017, the issue of which was approved by shareholders on that date. The exercise price of the options was determined so as to ensure that the options only have value if there is an increase in shareholder wealth over time. These options vested immediately. The purpose of the issue was to recognise work undertaken by the director and to incentivise him further. Such options are outside the normal remuneration policy for directors.

In the prior year, 1,000,000 options were issued to non-executive directors.

### 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 reviews fixed remuneration annually by reviewing the overall performance of the individual and of the Group.

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.

#### 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.

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 are met which are set by the Board or 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.

### Options

The exercise price of options is determined so as to ensure that the options only have value if there is an increase in shareholder wealth over time. For each option granted, specific hurdles are provided which must be met before the options vest.

No options were issued to executive directors during the current year (2017: Nil). 500,000 options were issued to non-executive directors during the current year (2017: 1,000,000). These options were issued pursuant to the agreements with the non-executive directors whereby options are to be issued on appointment. Accordingly, no performance conditions are attached.

**REMUNERATION REPORT (AUDITED) (CONTINUED)****Performance Rights**

Performance rights are issued in accordance with the terms and conditions of the Tech Mpire Performance Rights 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 performance rights issuable under it every three years.

The key features of the Plan are as follows:

- The Board will determine the number of performance rights to be granted to eligible employees and the vesting conditions and expiry date of the performance rights in its sole discretion.
- The vesting conditions may include one or more of (i) service to the Group of a minimum period of time (ii) achievement of specific performance conditions by the eligible employee and / or by the Group or (iii) such other performance conditions as the Board may determine. The Board determines whether vesting conditions have been met.
- The vesting conditions will have a milestone date as determined by the Board in its absolute discretion and the Board shall have discretion to extend a milestone date.
- If a vesting condition is not achieved by the earlier of the milestone date or the expiry date then the performance right will lapse. An unvested performance right will also lapse if the participant ceases to be an eligible employee for the purposes of the Plan by reason of resignation, termination for poor performance or termination for cause (unless the Board determines otherwise).
- Performance rights will not be listed for quotation. However, the Company will make application to the Australian Securities Exchange for official quotation of all shares issued on vesting of the performance rights within the period required by the Listing Rules.
- The performance rights are not transferable unless the Board determines otherwise or the transfer is required by law and the transfer complies with the Corporations Act.
- Where there is an event that the Board considers may result in a change of control of the Company (**Change of Control Event**), the Board may in its discretion determine that all or a specified number of the participant's performance rights vest or cease to be subject to restrictions (as applicable) although the Board may specify in an offer to a participant that a different treatment will apply if a Change of Control Event occurs.

Unless the Board determines otherwise, if a Change of Control Event occurs, any restrictions on dealing imposed on vested Performance Rights will cease to have effect.

**2(e) Remuneration Report Approval at 2017 Annual General Meeting**

The remuneration report of Tech Mpire Limited for the year ended 30 June 2017 was approved by shareholders at the 2017 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
		\$	\$		\$	\$	\$	\$	\$	\$ %	
<b>Non-Executive Directors</b>											
S. Belben	2018	60,165	-	-	-	5,716	-	-	-	65,881	-
	2017	60,099	-	-	-	5,709	-	-	65,519	131,327	-
Z. Tsvetnenko <sup>1</sup>	2018	-	-	-	-	-	-	-	-	-	-
	2017	2,954	-	-	-	246	-	-	-	3,200	-
R. Besnard <sup>2</sup>	2018	39,407	-	-	-	3,744	-	-	45,616	88,767	-
	2017	-	-	-	-	-	-	-	-	-	-
P. O'Connor <sup>3</sup>	2018	-	-	-	-	-	-	-	-	-	-
	2017	23,692	-	-	-	2,251	-	-	-	25,943	-
<b>Executive Directors</b>											
M. Ratty <sup>4,13</sup>	2018	114,315	45,000	-	-	15,135	170	-	-	174,620	26
	2017	14,835	-	-	-	1,409	-	-	65,519	81,763	-
Total Directors	2018	213,887	45,000	-	-	24,595	170	-	45,616	329,268	14
	2017	101,580	-	-	-	9,615	-	-	131,038	242,233	-
<b>Senior Executives</b>											
L. Taylor <sup>5</sup>	2018	200,550	-	-	-	19,052	3,972	-	-	223,574	-
	2017	427,279	-	-	-	40,592	13,119	-	-	480,990	-
J. Botnick <sup>6</sup>	2018	287,727	131,963	198,483	-	-	-	-	-	618,173	21
	2017	294,759	710,645	-	-	2,564	-	-	-	1,007,968	71
L. Hunter <sup>7,8,14,15</sup>	2018	322,440	50,000	-	-	20,030	482	35,637	-	428,589	20
	2017	45,953	-	-	-	4,365	61	-	65,519	115,898	-
J. Dutton <sup>9</sup>	2018	174,989	-	-	-	-	-	-	-	174,989	-
	2017	-	-	-	-	-	-	-	-	-	-
C. Madelin <sup>10</sup>	2018	58,669	-	-	-	4,895	-	-	-	63,564	-
	2017	201,669	-	-	-	19,159	(94)	-	-	220,734	-
T. Allison <sup>11</sup>	2018	198,934	-	-	-	17,056	-	-	-	215,990	-
	2017	-	-	-	-	-	-	-	-	-	-
F. Muir <sup>12</sup>	2018	11,394	-	-	-	1,083	-	-	-	12,477	-
	2017	-	-	-	-	-	-	-	-	-	-
Total Senior Executives	2018	1,254,703	181,963	198,483	-	62,116	4,454	35,637	-	1,737,356	13
	2017	969,660	710,645	-	-	66,680	13,086	-	65,519	1,825,590	39
Total	2018	1,468,590	226,963	198,483	-	86,711	4,624	35,637	45,616	2,066,624	13
	2017	1,071,240	710,645	-	-	76,295	13,086	-	196,557	2,067,823	34

**REMUNERATION REPORT (AUDITED) (CONTINUED)****Remuneration Outcomes (Continued)**

## Notes

1. Resigned as Non-Executive Director on 25 July 2016
2. Appointed as Non-Executive Director on 11 July 2017
3. Resigned on 24 February 2017
4. Appointed as Executive Director on 21 December 2017 and subsequently as Interim Managing Director on 20 March 2018. Total remuneration in FY18 whilst serving as a Non-Executive Director was \$21,210 (FY17: 81,763)
5. Resigned as Managing Director on 15 May 2017 and was appointed as Chief Technology Officer on that date. Total remuneration in FY17 whilst serving as Managing Director was \$451,106 which included additional payments arising on change of employment status from Chief Executive Officer to Chief Technology Officer and pay out of accumulated annual leave
6. 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
7. Resigned as Managing Director on 20 March 2018 and appointed as Chief Operating Officer on that date. Total remuneration in FY17 whilst serving as Managing Director was \$353,484
8. Appointed as Non-Executive Director on 16 February 2017 and subsequently as Managing Director on 15 May 2017. Total remuneration in FY17 whilst serving as a Non-Executive Director was \$75,987
9. Appointed as Managing Director of Mpire Operation Asia Pacific Pte Ltd on 5 December 2017
10. Resigned as Chief Financial Officer on 18 September 2017
11. Appointed as Chief Financial Officer on 18 September 2017 and resigned on 15 June 2018
12. Appointed as Chief Financial Officer 25 June 2018
13. Bonus paid on the successful completion of a \$3 million placement
14. Bonus paid on the successful opening of an office in Singapore to cover the Asia pacific region
15. Refer to section 5 below and Note 16 for further information on the vesting conditions attached to the performance rights issued during the current year

## 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:

<b>Name:</b>	<b>Mathew Ratty</b>
<b>Title:</b>	<i>Interim Managing Director and Chief Executive Officer</i>
<b>Agreement commenced:</b>	20 March 2018
<b>Term of agreement:</b>	20 March 2018 to 30 June 2019
<b>Details:</b>	<ul style="list-style-type: none"> <li>• Annual base salary of \$180,000 plus statutory superannuation.</li> <li>• Performance related bonuses: <ul style="list-style-type: none"> <li>if, for the financial year ended 30 June 2019, the Company records audited revenue of \$45 million or more, Mr Ratty will be issued a total of 1,000,000 performance rights in the Company (subject to shareholder approval) or a payment in cash equivalent to the value of those shares as at the date the performance bonus is earned; and</li> <li>if, for the financial year ended 30 June 2019, the Company records an audited EBITDA of \$1 million, Mr Ratty will be issued a total of 1,000,000 performance rights in the Company (subject to shareholder approval) or a payment in cash equivalent to the value of those shares as at the date the performance bonus is earned; and</li> <li>if, for the financial year ended 30 June 2019, the Company records an audited EBITDA of \$2 million or more, Mr Ratty will be issued a further 2,000,000 performance rights in the Company (subject to shareholder approval) or a payment in cash equivalent to the value of those shares as at the date the performance bonus is earned; and</li> </ul> </li> <li>the Company may at any time up until 30 June 2019 pay the Executive, at the discretion of the Board, bonuses in aggregate of up to 2x the Executive's Salary for achieving milestones or transactions as identified and agreed between Mr Ratty and the Company.</li> <li>• The agreement may be terminated: <ul style="list-style-type: none"> <li>– by either party without cause with six months' notice, or in the case of the Company, immediately with payment in lieu of notice;</li> <li>– by the Company on one months' notice if Mr Ratty 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 12 month period; or</li> <li>– promptly following material breach or in the case of misconduct.</li> </ul> </li> <li>• Other industry standard provisions for a senior executive of a public listed company.</li> </ul>

  

<b>Name:</b>	<b>Lee Hunter</b>
<b>Title:</b>	<i>Chief Operations Officer</i>
<b>Agreement commenced:</b>	20 March 2018
<b>Term of agreement:</b>	No fixed term
<b>Details:</b>	<ul style="list-style-type: none"> <li>• Annual base salary of \$240,000 plus statutory superannuation.</li> <li>• Performance based incentive relating to 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.</li> <li>• The agreement may be terminated: <ul style="list-style-type: none"> <li>– by either party without cause with one months' notice, or in the case of the Company, immediately with payment in lieu of notice;</li> <li>– by the Company on 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 12 month period; or</li> <li>– promptly following material breach or in the case of misconduct.</li> </ul> </li> <li>• Other industry standard provisions for a senior executive of a public listed company.</li> </ul>

**REMUNERATION REPORT (AUDITED) (CONTINUED)****4. Executive Contracts (continued)**

Name:	<b>Luke Taylor</b>
Title:	<i>Chief Technology Officer</i>
Agreement commenced:	15 May 2017
Term of agreement:	No fixed term.
Details:	<ul style="list-style-type: none"> <li>• Annual base salary of \$200,000 plus statutory superannuation.</li> <li>• A cash bonus may be paid at any time during the Term linked to KPI's to be approved by the Board.</li> <li>• The agreement may be terminated: <ul style="list-style-type: none"> <li>– by either party without cause with three months' notice, or in the case of the Company, immediately with payment in lieu of notice;</li> <li>– by the Company on one months' notice, if Mr Taylor 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 12 month period;</li> <li>– promptly following material breach or in the case of misconduct.</li> </ul> </li> <li>• Other industry standard provisions for a senior executive of a public listed company.</li> </ul>

Name:	<b>Jeffrey Botnick (resigned on 21 November 2017)</b>
Title:	<i>Managing Director of Mpire Network Inc</i>
Agreement commenced:	28 February 2014
Term of agreement:	No fixed term
Details:	<ul style="list-style-type: none"> <li>• Mr Botnick receives an annual salary of US\$265,000 (inclusive of social security payment and taxes) together with benefits and insurance, and commission of 7.5% of gross profit of the Company's Canadian subsidiary, Mpire Network.</li> <li>• The agreement may be terminated: <ul style="list-style-type: none"> <li>– by Mr Botnick with three months' notice;</li> <li>– by the Company without cause with seven days' notice and payment of six months' salary; or</li> <li>– by the Company immediately for cause.</li> </ul> </li> <li>• Mr Botnick is based in Toronto, Canada, but may be required to spend up to 15% of his time travelling and working overseas.</li> </ul>

Name:	<b>James Dutton</b>
Title:	<i>Managing Director of Mpire Operations Asia Pacific Pte Ltd</i>
Agreement commenced:	5 December 2017
Term of agreement:	No fixed term
Details:	<ul style="list-style-type: none"> <li>• Annual base salary of \$250,000</li> <li>• Two performance-based bonuses of \$35,000 and \$100,000 upon the achievement of pre-determined key performance indicators.</li> <li>• The agreement may be terminated: <ul style="list-style-type: none"> <li>– by either party without cause with three months' notice, or in the case of the Company, immediately with payment in lieu of notice;</li> <li>– by the Company on 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 12 month period;</li> <li>– by the Company summarily without notice following material breach or in the case of misconduct; or</li> <li>– by Mr Dutton if at any time the Company commits any serious or persistent beach which is not remedied with 28 days.</li> </ul> </li> <li>• Other industry standard provisions for a senior executive of a public listed company.</li> </ul>

## REMUNERATION REPORT (AUDITED) (CONTINUED)

## 4. Executive Contracts (Continued)

Name:	<b>Clare Madelin</b> (resigned on 18 September 2017)
Title:	<i>Chief Financial Officer and joint Company Secretary</i>
Agreement commenced:	18 January 2016 and extended to 19 September 2017
Term of agreement:	Minimum 12 months, with the option to extend
Details:	<ul style="list-style-type: none"> <li>• Annual base salary of \$230,000 plus statutory superannuation.</li> <li>• The agreement may be terminated: <ul style="list-style-type: none"> <li>– by Ms Madelin with one months' notice, unless the Company is in breach of a material term of the agreement, in which case Ms Madelin may terminate it immediately;</li> <li>– by the Company with one months' notice or payment in lieu of notice;</li> <li>– by the Company immediately for cause.</li> </ul> </li> </ul>

  

Name:	<b>Tim Allison</b> (resigned as joint Company Secretary on 22 May 2018, resigned as Chief Financial Officer on 15 June 2017)
Title:	<i>Chief Financial Officer and joint Company Secretary</i>
Agreement commenced:	18 September 2017
Term of agreement:	No fixed term
Details:	<ul style="list-style-type: none"> <li>• Annual base salary of \$180,000 plus statutory superannuation.</li> <li>• The agreement may be terminated: <ul style="list-style-type: none"> <li>– by Mr Allison with one months' notice, unless the Company is in breach of a material term of the agreement, in which case Mr Allison may terminate it immediately;</li> <li>– by the Company with one months' notice or payment in lieu of notice;</li> <li>– by the Company immediately for cause.</li> </ul> </li> </ul>

  

Name:	<b>Fiona Muir</b>
Title:	<i>Chief Financial Officer</i>
Agreement commenced:	25 June 2018
Term of agreement:	No fixed term
Details:	<ul style="list-style-type: none"> <li>• Ms Muir fulfils the role of Chief Financial Officer on a part time basis and is remunerated pro-rate based on an annual base salary of \$259,350 plus statutory superannuation.</li> <li>• The agreement may be terminated: <ul style="list-style-type: none"> <li>– 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;</li> <li>– by the Company with one months' notice or payment in lieu of notice;</li> <li>– by the Company immediately for cause.</li> </ul> </li> </ul>

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**

The table below discloses the number of performance rights granted and vested during the year. No performance rights lapsed during the year.

**2018**

	Class B		Class E	Class F	Class G
	L. Taylor	J. Botnick	L. Hunter	L. Hunter	L. Hunter
Balance at the beginning of the year	1,950,000	1,950,000	-	-	-
Number issued during the year	-	-	150,000	900,000	150,000
Grant date	N/A	N/A	26 Oct 2017	26 Oct 2017	26 Oct 2017
Fair value per performance right at grant date (cents)	N/A	N/A	10.57	7.05	5.87
Number vested during the year	-	-	-	-	-
Number converted during the year	(1,950,000)	(1,950,000)			
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>	<b>150,000</b>	<b>900,000</b>	<b>150,000</b>

**2017**

	Class B		
	Z. Tsvetnenko <sup>2</sup>	L. Taylor	J. Botnick
Balance at the beginning of the year	3,600,000	1,950,000	1,950,000
Number issued during the year	-	-	-
Grant date	N/A	N/A	N/A
Fair value per performance right at grant date (cents)	N/A	N/A	N/A
Number vested during the year <sup>1</sup>	3,600,000	1,950,000	1,950,000
Number converted during the year	-	-	-
<b>Balance at the end of the year</b>	<b>3,600,000</b>	<b>1,950,000</b>	<b>1,950,000</b>

**Notes**

<sup>1</sup> The performance rights vested during the 2017 financial year and were converted into ordinary shares on a one for one basis during the 2018 financial year.

<sup>2</sup> Mr Tsvetnenko resigned on 25 July 2016.

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

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

Tranche	Vesting Condition	Milestone date
Class B Performance Rights	Upon the Livelynk Group achieving cumulative net profit before tax of at least \$1,500,000 during the period from Completion until the date that is 24 months after Completion.	On or before the date that is 24 months after Completion (Class B Milestone Date)
Class E Performance Rights	Upon the Company achieving a five day volume weighted average share price of \$0.80 or higher before 30 June 2019.	On or before 30 June 2019
Class F Performance Rights	Upon the Company achieving a five day volume weighted average share price of \$1.00 or higher before 30 June 2019.	On or before 30 June 2019
Class G Performance Rights	Upon the Company achieving a five day volume weighted average share price of \$1.20 or higher before 30 June 2019.	On or before 30 June 2019

**Livelynk Group** comprises Livelynk Group Pty Ltd, Mpire Media Pty Ltd and Mpire Network Inc.  
**Completion** occurred on 29 June 2015

## REMUNERATION REPORT (AUDITED) (CONTINUED)

## 5. Additional Disclosures Relating to Performance Rights, Options and Shares (Continued)

*Options awarded, vested and lapsed during the year*

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.

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.

Name	Options awarded during the year #	Award date	Fair value per option at award 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 \$
<b>2018</b>										
R. Besnard	500,000	26/10/2017	0.09	26/10/2017	0.45	25/08/2020	500,000	-	45,616	-
<b>2017</b>										
S. Belben	500,000	26/05/2017	0.131	26/05/2017	0.45	30/03/2020	500,000	-	65,519	-
M. Ratty	500,000	26/05/2017	0.131	26/05/2017	0.45	30/03/2020	500,000	-	65,519	-
L. Hunter	500,000	26/05/2017	0.131	26/05/2017	0.45	30/03/2020	500,000	-	65,519	-

*Option holdings of KMP*

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

	Balance at 1 July 2017	Granted as remuneration	Exercised	Net change other	Balance at 30 June 2018	Exercisable	Not exercisable
<b>Non-Executive Directors</b>							
S. Belben	500,000	-	-	-	500,000	500,000	-
R. Besnard	-	500,000	-	-	500,000	500,000	-
<b>Executive Directors</b>							
M. Ratty <sup>1</sup>	7,000,000	-	-	(6,500,000)	500,000	500,000	-
<b>Senior Executives</b>							
L. Taylor	-	-	-	-	-	-	-
J. Botnick	-	-	-	-	-	-	-
L. Hunter	500,000	-	-	-	500,000	500,000	-
C. Madelin	-	-	-	-	-	-	-
T. Allison	-	-	-	-	-	-	-
F. Muir	-	-	-	-	-	-	-
<b>Total</b>	<b>8,000,000</b>	<b>500,000</b>	<b>-</b>	<b>(6,500,000)</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>-</b>

Notes

<sup>1</sup> 6,500,000 options lapsed on 29 June 2018.

**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 2017	Granted as remuneration	On conversion of performance rights	Net change other	Balance at 30 June 2018
<b>Non-Executive Directors</b>					
S. Belben	200,000	-	-	-	200,000
R. Besnard	-	-	-	-	-
<b>Executive Directors</b>					
M. Ratty	6,551,676	-	-	-	6,551,676
<b>Senior Executives</b>					
L. Taylor	1,300,000	-	1,950,000	-	3,250,000
J. Botnick <sup>1</sup>	1,300,000	-	1,950,000	(3,250,000)	-
L. Hunter <sup>2</sup>	146,000	-	-	(146,000)	-
C. Madelin	-	-	-	-	-
T. Allison	-	-	-	-	-
F. Muir	-	-	-	-	-
<b>Total</b>	<b>9,497,676</b>	<b>-</b>	<b>3,900,000</b>	<b>(3,396,000)</b>	<b>10,001,676</b>

## Notes

1. Mr Botnick resigned on 21 November 2017 at which time he held 3,250,000 shares in the Company

2. Mr Hunter disposed of his shares on market

**6. Other Transactions and Balances with Key Management Personnel and their Related Parties**

During the current year, the Company entered into a consultancy agreement with Mr Ratty for the provision of Corporate Advisory services which included advice on roadshows, communication with current and potential shareholders, and marketing. 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.

During the prior year the Company entered into a consultancy agreement with Mr Hunter for the provision of business, sales and marketing advice. Under this agreement Mr Hunter was entitled to fees of \$8,333 per month (exclusive of GST) with effect from 1 April 2017. The term of the agreement was 1 year. However, the contract was terminated on 15 May 2017 when he was appointed Managing Director. Under the agreement Mr Hunter was paid consultancy fees of \$11,957.

Signed in accordance with a resolution of the directors:



**Stephen Belben**

Non-Executive Chairman

Perth, Western Australia

Dated this 30th day of August 2018



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## Auditor's Independence Declaration to the Directors of Tech Mpire Limited

As lead auditor for the audit of Tech Mpire Limited for the financial year ended 30 June 2018, 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 Tech Mpire Limited and the entities it controlled during the financial year.

*Ernst & Young*

Ernst & Young

G Lotter  
Partner  
30 August 2018

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$	2017 \$
<b>Continuing Operations</b>			
<b>Other income</b>	4(a)	73,311	51,178
<b>Overheads</b>			
Server hosting costs		(760,847)	(368,216)
Administration costs	4(b)	(621,614)	(559,708)
Compliance costs	4(c)	(331,720)	(207,264)
Consultancy costs	4(f)	(219,802)	(157,746)
Employment costs	4(d)	(4,777,622)	(3,406,094)
Occupancy costs		(202,391)	(163,050)
Marketing costs		(69,899)	(15,442)
Bad and doubtful debts expense		(1,000)	-
Foreign exchange differences		(127,754)	(112,881)
Finance costs	4(e)	(23)	(17)
Depreciation		(52,631)	(67,285)
		(7,165,303)	(5,057,703)
<b>Other Expenses</b>			
Share based payments	16	(111,621)	(215,442)
		(111,621)	(215,442)
<b>Loss before income tax</b>		(7,203,613)	(5,221,967)
Income tax benefit / (expense)	5	(47,971)	191,148
<b>Loss for the year from continuing operations attributable to the members of Tech Mpire Limited</b>		(7,251,584)	(5,030,819)
<b>Discontinued Operations</b>			
Profit / (Loss) after tax for the year from discontinued operations	12	(257,811)	5,448,025
<b>Profit / (loss) for the year attributable to the members of Tech Mpire Limited</b>		(7,509,395)	417,206
<b>Other comprehensive income net of tax</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		79,601	(464,104)
<b>Total comprehensive loss for the year attributable to the members of Tech Mpire Limited</b>		(7,429,794)	(46,898)
<b>Loss per share attributable to members of Tech Mpire Limited</b>			
Basic earnings / (loss) per share (cents)	23	(9.35)	0.63
Diluted earnings / (loss) per share (cents)	23	(9.35)	0.54

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



## CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018 \$	2017 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	4,054,816	8,202,204
Trade and other receivables	7	148,118	3,668,862
Assets held for sale	12	1,154,520	-
<b>TOTAL CURRENT ASSETS</b>		<b>5,357,454</b>	<b>11,871,066</b>
<b>NON-CURRENT ASSETS</b>			
Goodwill	15	34,000	34,000
Plant and equipment	8	70,704	142,786
<b>TOTAL NON-CURRENT ASSETS</b>		<b>104,704</b>	<b>176,786</b>
<b>TOTAL ASSETS</b>		<b>5,462,158</b>	<b>12,047,852</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	691,122	1,900,615
Provisions	10	271,079	747,611
Interest-bearing loans and borrowings	11	-	1,096,574
Liabilities directly associated with the assets held for sale	12	715,917	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,678,118</b>	<b>3,744,800</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	10	18,129	98,968
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>18,129</b>	<b>98,968</b>
<b>TOTAL LIABILITIES</b>		<b>1,696,247</b>	<b>3,843,768</b>
<b>NET ASSETS</b>		<b>3,765,911</b>	<b>8,204,084</b>
<b>EQUITY</b>			
Contributed equity	13	22,586,507	17,157,235
Share based payment reserve	14	2,658,453	5,096,104
Foreign currency translation reserve	14	12,346	(67,255)
Accumulated losses	17	(21,491,395)	(13,982,000)
<b>TOTAL EQUITY</b>		<b>3,765,911</b>	<b>8,204,084</b>

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 2018**

	Note	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		17,990,379	36,961,739
Payments to suppliers and employees		(23,667,373)	(35,118,330)
Other income received		120,201	224,860
Interest received		42,470	11,301
Interest paid		(78,916)	(55,507)
Income tax paid		(188,685)	(25,576)
<b>Net cash flows generated by operating activities</b>	<b>6</b>	<b>(5,781,924)</b>	<b>1,998,487</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(26,030)	(86,243)
Acquisition of subsidiary, net of cash acquired	15	-	(28,995)
Deposits paid for leased premises		-	(34,432)
<b>Net cash flows (used in) investing activities</b>		<b>(26,030)</b>	<b>(149,670)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		3,000,000	-
Share issue costs paid		(120,000)	-
Net advances received / (repaid) under debtor financing facility	11	(1,014,179)	1,124,102
<b>Net cash flows provided by financing activities</b>		<b>1,865,821</b>	<b>1,124,102</b>
<b>Net increase in cash and cash equivalents</b>		<b>(3,942,133)</b>	<b>2,972,919</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>8,202,204</b>	<b>5,601,353</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>(28,187)</b>	<b>(372,068)</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>6</b>	<b>4,231,884</b>	<b>8,202,204</b>

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

## CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Contributed equity \$	Retained earnings/ (accumulated losses) \$	Share based payments reserve \$	Foreign currency translation reserve \$	Total equity \$
<b>Balance at 1 July 2017</b>	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
<b>Total comprehensive income / (expenditure) for the year</b>	-	(7,509,395)	-	79,601	(7,429,794)
<b>Transactions with equity holders in their capacity as owners</b>					
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
<b>Balance at 30 June 2018</b>	22,586,507	(21,491,395)	2,658,453	12,346	3,765,911
<b>Balance at 1 July 2016</b>	17,143,905	(14,399,206)	4,893,993	396,849	8,035,541
Loss for the year	-	417,206	-	-	417,206
Other comprehensive income					
Foreign exchange differences arising on translation of foreign operations	-	-	-	(464,104)	(464,104)
<b>Total comprehensive income (expenditure) for the year</b>	-	417,206	-	(464,104)	(46,898)
<b>Transactions with equity holders in their capacity as owners</b>					
Share based payments expense	-	-	215,441	-	215,441
Shares issued on vesting of performance rights	13,330	-	(13,330)	-	-
	13,330	-	202,111	-	215,441
<b>Balance at 30 June 2017</b>	17,157,235	(13,982,000)	5,096,104	(67,255)	8,204,084

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 Tech Mpire Limited (**Tech Mpire** or **Company**) and its controlled entities (collectively referred to as the Group) for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 30 August 2018.

Tech Mpire 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 the operations and principal activities of the Group are as follows:

During the current and prior year, the Group generated revenue from its performance marketing division which uses a global network of online media partners to enable advertisers to reach their target audiences online. This service is provided on a performance basis whereby advertiser clients are only charged if a predefined result is achieved.

The Company experienced a significant downturn in performance marketing revenue during the current year due to challenges experienced in accessing supplies of quality online traffic. As a consequence, the Company shifted its resources and focus to the development and future commercialisation of its core advertising technology, being its ad fraud mitigation platform, TrafficGuard, and its advertising management platform, nexus.

Information on the Group's structure and related party relationships is provided in Note 20.

## 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 is a general purpose financial report, which has 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.

The financial report has also been prepared on a historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets acquired.

The financial report is presented in Australian dollars.

### i Statement of Compliance

The consolidated financial statements of Tech Mpire Ltd comply with the International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**).

### ii Changes in Accounting Policies, Disclosures, Standards and Interpretations

*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 2018 are outlined below.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Accounting Standards and Interpretations Issued but not yet Effective***AASB 9: Financial Instruments**

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement.

Except for certain trade receivables, an entity 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 (FVTPL), transaction costs.

Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.

There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.

Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.

The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.

The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.

**Application date of standard:** 1 January 2018

**Application date for the Group:** 1 July 2018

**Impact on the Group's Financial Statements:** The impact of this new standard is still being assessed but is not expected to have a material effect.

**AASB 15: Revenue from Contracts with Customers**

AASB 15 replaces all existing revenue requirements in Australian Accounting Standards and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 Leases (or AASB 16 Leases, once applied).

The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

**Application date of standard:** 1 January 2018

**Application date for the Group:** 1 July 2018

**Impact on the Group's Financial Statements:** Given the Group has reached a decision to dispose of its main revenue generating operating entity, adoption of AASB 15 is not expected to have a significant impact. The Group's future revenue recognition policy will be reviewed to ensure compliance with AASB 15 upon adoption.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Accounting Standards and Interpretations Issued but not yet Effective***AASB 2: Share Based Payments**

This Standard amends AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:

- The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments
- Share-based payment transactions with a net settlement feature for withholding tax obligations
- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

**Application date of standard:** 1 January 2018

**Application date for the Group:** 1 July 2018

**Impact on the Group's Financial Statements:** No significant impact is anticipated.

**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.

Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

**Application date of standard:** 1 January 2019

**Application date for the Group:** 1 July 2019

**Impact on the Group's Financial Statements:** The impact of this new standard is still being assessed but is not expected to have a material impact.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(b) 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.

**(c) 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".

**(d) 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(e) 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.

**(f) Impairment of Non-Financial Assets**

Non-financial assets are tested for impairment 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). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**(g) 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. Trade receivables are generally due for settlement within 45 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, the bad debt expense in the profit and loss is offset by the reversal of the impairment allowance. Subsequent recoveries of amounts previously written off are recognised in profit or loss.

**(h) Cash and Cash Equivalents**

Cash and short-term deposits in the 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) 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 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.

### (j) Leases

Leases in which a significant portion 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.

### (k) Revenue Recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and the specific criteria have been met for each of the Group's activities as described below:

#### i. Advertising Income

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

#### ii. Interest Income

Interest income is recognised as interest accrues 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.

### (l) Trade and Other Payables

These amounts 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 presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### (m) 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(m) Income Tax (Continued)**

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 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 deferred tax is also recognised directly in equity.

**(n) 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.

**(o) 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.

**(p) Financial Assets****Initial Recognition and Measurement**

Financial assets within the scope of AASB 139 are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date (the date that the Group commits to purchase or sell the asset).

The Group's financial assets include cash and short-term deposits, trade and other receivables and loans and other receivables.

**Subsequent Measurement****Loans and Receivables**

Trade receivables, loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recorded at amortised cost less impairment. Impairment is determined by review of the nature and recoverability of the loan or receivable with reference to its terms of repayments and capacity of the debtor entity to repay the debt. If the recoverable amount of a receivable is estimated to be less than its carrying amount, the carrying amount of receivable is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately. They are included in current assets, other than those with maturities greater than 12 months from reporting date which are classified as non-current assets.

**Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(p) Financial Assets (Continued)**

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. 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 assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**Financial Assets Carried at Amortised Cost**

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate (EIR).

**(q) Financial Liabilities****Initial Recognition and Measurement**

Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Group's financial liabilities include trade and other payables and loans and borrowings.

**Subsequent Measurement**

The measurement of financial liabilities depends on their classification, described as follows:

**Financial Liabilities at Fair Value Through Profit or Loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit and loss and other comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit and loss so designated at the initial date of recognition, and only if criteria of AASB 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

**Loans and Borrowings**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses are recognised in the statement of profit and loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit and loss and other comprehensive income.

**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 statement of profit and loss and other comprehensive income.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(r) Fair Value Measurement**

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.

**(s) Financial Instruments Issued by the Group*****Debt and Equity Instruments***

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

***Transaction Costs on the Issue of Equity Instruments***

Transaction costs arising on the issue of equity instruments are recognised directly in equity.

***Interest and Dividends***

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

**(t) 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 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.

**(u) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at balance date.

**(v) Share-based Payments**

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled.

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.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(w) 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.

**(x) 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:

**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 16.

**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 \$7,795,721 (2017: \$1,982,060) 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 5.

**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(f). 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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(y) 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 2018, the Group incurred a net loss after tax of \$7,509,395 and a net cash outflow from operating activities of \$5,781,924. The cash and cash equivalents balance as at 30 June 2018 was \$4,231,884 (including the cash reserves of the discontinued operation). The Group's net current asset position at 30 June 2018 was \$3,765,080.

The ability of the Group to pay its trade creditors, repay its borrowings and continue its planned activities and maintain its going concern status is dependent on the Group generating sufficient revenues and / or 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 sale proceeds generated from the sale of 90% of Mpire Network Inc which took place subsequent to year end, and 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**

During the current year, the Company's board of directors conducted a stringent review of operations and sector outlook and decided to direct the Company's resources towards achieving its key objective of being a leader in ad technology. Consequently, the Company's focus shifted away from performance marketing and was instead directed towards the further development and future commercialisation of nxus and TrafficGuard.

The Group's performance marketing division has been designated as a discontinued operation (refer to Note 12 for more information). The financial information presented below relates to the Group's two operating segments and is based on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources.

The Group's key 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 its office in Croatia. During the current year, the Group opened an office in Singapore. Upon commercialisation of the Group's software products, the Singapore office will be responsible for marketing thereof in the Asia Pacific region.

The board of directors review internal management reports on a monthly basis that are consistent with the information provided in the Statement of Profit and Loss and Other Comprehensive Income, Statement of Financial Position and 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 3. SEGMENT INFORMATION (CONTINUED)

For the year ended 30 June 2018	Technology \$	Other \$	Consolidated \$
Revenue <sup>1</sup>	-	-	-
Other income	30,839	-	30,839
Overheads	(3,807,822)	(3,304,827)	(7,112,649)
Other expenses	-	(111,621)	(111,621)
<b>EBITDA</b>	<b>(3,776,983)</b>	<b>(3,416,448)</b>	<b>(7,193,431)</b>
<b>Reconciliation of reportable segment loss</b>			
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	(47,971)	-	(47,971)
<b>Loss after income tax</b>	<b>(3,873,892)</b>	<b>(3,377,692)</b>	<b>(7,251,584)</b>

The segment information for the prior financial year has been restated to exclude performance marketing.

For the year ended 30 June 2017	Technology \$	Other \$	Consolidated \$
Revenue <sup>1</sup>	-	-	-
Other income	34,400	5,477	39,877
Overheads	(3,292,611)	(1,697,819)	(4,990,430)
Other expenses	-	(215,412)	(215,412)
<b>EBITDA</b>	<b>(3,258,211)</b>	<b>(1,907,754)</b>	<b>(5,165,965)</b>
<b>Reconciliation of reportable segment loss</b>			
EBITDA	(3,258,211)	(1,907,754)	(5,165,965)
Interest income	9,410	1,891	11,301
Interest expense	(17)	-	(17)
Depreciation	(65,808)	(1,478)	(67,286)
Income tax (expense) / benefit	(50,221)	241,369	191,148
<b>Loss after income tax</b>	<b>(3,364,847)</b>	<b>(1,665,972)</b>	<b>(5,030,819)</b>

<sup>1.</sup> Revenue excludes amounts charged by the technology division to the discontinued performance marketing division because this revenue is eliminated on consolidation.

The Group's assets and liabilities by segment at 30 June 2018 is as follows:

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

**3. SEGMENT INFORMATION (CONTINUED)**

The Group's assets and liabilities by segment at 30 June 2017 is as follows:

	Continuing operations		Discontinued operation	Elimination of inter segment balances	Consolidated
	Technology	Other	Performance Marketing		
	\$	\$	\$		\$
Assets	489,128	6,525,751	6,213,360	(1,180,387)	12,047,852
Liabilities	1,649,960	464,475	2,909,720	(1,180,387)	3,843,768

**4. OTHER INCOME AND EXPENSE ITEMS**

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

	Consolidated	
	2018	2017
	\$	\$
(a) <b>Other income</b>		
Rental income	-	2,802
Recoveries	-	1,774
Miscellaneous income	73,311	46,602
	73,311	51,178
(b) <b>Administration costs</b>		
IT costs	266,896	219,493
Office and general administration costs	182,377	116,030
Write off of plant and equipment	-	41,446
Travel	172,341	182,739
	621,614	559,708
(c) <b>Compliance costs</b>		
Accounting fees	11,150	19,927
ASX compliance fees	136,207	61,813
Tax advice and compliance fees	182,653	123,689
Regulatory body fees	1,710	1,835
	331,720	207,264
(d) <b>Employment costs</b>		
Salaries and wages <sup>2</sup>	3,639,078	2,716,895
Ancillary employment costs	878,893	579,765
Other	259,651	109,434
	4,777,622	3,406,094
(e) <b>Finance costs</b>		
Interest expense	23	17
	23	17
(f) <b>Consultancy costs</b>		
Legal	76,547	58,249
Investor relations	111,592	80,540
Other	31,663	18,957
	219,802	157,746

<sup>2</sup> Note 24 provides details on directors and executives' remuneration.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 5. INCOME TAX EXPENSE

	Consolidated 2018 \$	2017 \$
Major components of income tax expense for the year are:		
<b>Income statement</b>		
<b>Current income tax</b>		
Current income tax charge	47,971	50,221
Adjustments in respect of previous years:		
- Under provision for income tax in previous years	-	138,603
- Research and development tax credit relating to the prior year	-	(379,972)
<b>Deferred income tax</b>		
Deferred income tax charge relating to origination and reversal of temporary differences		-
Income tax expense / (benefit) reported in income statement	47,971	(191,148)

#### 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 2018 \$	2017 \$
Accounting loss before tax from continuing operations	(7,203,613)	(2,030,771)
Accounting profit / (loss) before tax from discontinued operations	(743,257)	2,810,582
	(7,946,870)	779,811
Income tax expense / (benefit) at the statutory income tax rate of 27.5% (2017: 30%)	(2,185,390)	233,943
Adjusted for:		
Under / (over) provision for income tax in previous years	(485,446)	138,603
Research and development tax credit relating to the prior year	-	(379,972)
Non-deductible share-based payment expenses	30,696	64,633
Non-deductible entertainment expenses	4,878	9,240
Other non-deductible expenses	28,038	30,985
Other non-assessable amounts	-	(114,563)
Difference between the Australian statutory income tax rate and the statutory income tax rate applicable to foreign operations	(17,989)	(98,248)
Carried forward tax losses utilised (FY17: Canadian tax losses of \$229,016))	-	(229,016)
Tax losses and temporary differences not recognised as a deferred tax asset (Australian tax: \$1,837,304 (FY17: \$702,853), Canadian tax: \$175,987 (FY17: \$4,417), Singapore tax: \$174,447 (FY17: Nil))	2,187,738	707,000
	(437,475)	362,605
Income tax expense / (benefit) reported in income statement	47,971	(191,148)
Income tax expense / (benefit) attributable to discontinued operation	(485,446)	553,753
	(437,475)	362,605

#### Tax Consolidation

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

**5. INCOME TAX EXPENSE (CONTINUED)****Unrecognised Deferred Tax Assets**

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

	Consolidated 2018 \$	2017 \$
Revenue losses	7,601,207	1,787,546
Capital losses	194,514	194,514
Temporary differences	1,931,765	1,687,748
	9,727,486	3,669,808
Unrecognised tax losses at 27.5% (2017: 30%)	2,675,059	1,100,943

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.

**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 2018 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.

**6. CASH AND CASH EQUIVALENTS**

	Consolidated 2018 \$	2017 \$
Cash at bank and on hand	4,054,816	5,598,224
Short term deposits	-	2,603,980
Cash and cash equivalents	4,054,816	8,202,204

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

	Consolidated 2018 \$	2017 \$
Cash at bank and on hand	4,054,816	4,065,197
Short term deposits	-	2,603,980
Cash at bank and on hand attributable to discontinued operations	177,068	1,533,027
Cash and cash equivalents	4,231,884	8,202,204

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 6. CASH AND CASH EQUIVALENTS (CONTINUED)

#### Reconciliation from the Loss After Tax to the Net Cash Flows from Operations

	Consolidated 2018 \$	2017 \$
Net profit / (loss)	(7,509,395)	417,206
<b>Adjustments for non-cash items:</b>		
Bad debts written off	127,572	723,304
Depreciation	69,053	79,847
Plant and equipment written off	-	41,446
Share based payments	111,621	215,441
Unrealised foreign exchange differences	116,550	85,354
<b>Changes in assets and liabilities:</b>		
Decrease / (Increase)/ in trade receivables <sup>1</sup>	2,203,851	(441,139)
(Increase) / decrease in other receivables	(59,599)	225,180
(Increase) / decrease in accrued revenue	185,296	194,652
(Increase) / decrease in prepayments	107,454	(62,484)
Increase in trade and other payables <sup>1</sup>	(527,655)	148,818
Increase in provision for employee entitlements	19,487	33,834
Increase / (decrease) in provision for income tax	(626,159)	337,028
<b>Net cash generated by operating activities</b>	<b>(5,781,924)</b>	<b>1,998,487</b>

<sup>1.</sup> 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.

### 7. TRADE AND OTHER RECEIVABLES

		Consolidated 2018 \$	2017 \$
	<b>Note</b>		
Trade receivables	(a)	30,895	3,203,736
Accrued revenue		-	200,698
Prepayments		71,521	184,872
Deposits		35,955	42,984
Other receivables	(b)	831	368
GST receivables		8,916	36,204
		<b>148,118</b>	<b>3,668,862</b>

As at 30 June, the ageing analysis of trade receivables, net of impairment loss is as follows:

	Total \$	< 30 days \$	Past due but not impaired			> 90 days \$
			30-60 days \$	61-90 days \$		
2018	30,895	27,156	3,714	25		-
2017	3,203,736	2,940,849	261,887	-		1,000

No trade receivables are considered impaired at balance date and accordingly, there was no provision for doubtful debts at 30 June 2018 (2017:\$294,250).

See Note 18 on credit risk of trade receivables for details of how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

**7. TRADE AND OTHER RECEIVABLES (CONTINUED)****(a) Classification as Trade and Other Receivables**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 45 days and therefore are all classified as current. The Group's impairment and other accounting policies for trade and other receivables are outlined in Note 2(g).

The balance of trade receivables is after provision for doubtful debts. The movement in the balance of this provision is as follows:

	Consolidated	
	2018	2017
	\$	\$
Balance at the beginning of the financial year	-	515,784
Net movement for the year	-	(198,382)
Impact of foreign exchange	-	(23,152)
Balance at the end of the financial year	-	294,250

**(b) Sundry Receivables**

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

**(c) Fair Values of Trade and Other Receivables**

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value. The fair values of non-current receivables are generally not significantly different to their carrying amounts.

**(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 18.

**8. PLANT AND EQUIPMENT**

	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
<b>Reconciliation</b>				
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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 8. PLANT AND EQUIPMENT (CONTINUED)

	Consolidated: 2017				Total \$
	Leasehold improvements	Computer Equipment \$	Office Equipment \$	Software & Hardware \$	
Cost	80,393	84,346	135,476	-	300,215
Accumulated depreciation	(13,797)	(56,209)	(87,423)	-	(157,429)
Carrying amount at 30 June	66,596	28,137	48,053	-	142,786
<b>Reconciliation</b>					
Carrying amount at 1 July	54,811	20,488	99,786	150	175,235
Additions	33,614	24,754	31,684	-	90,052
Disposals	-	-	(399)	-	(399)
Impact of foreign exchange	-	-	(809)	-	(809)
Plant and equipment written off	-	-	(41,296)	(150)	(41,446)
Reclassification	(8,032)	8,032	-	-	-
Depreciation	(13,797)	(25,137)	(40,913)	-	(79,847)
Carrying amount at 30 June	66,596	28,137	48,053	-	142,786

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

### 9. TRADE AND OTHER PAYABLES

	Consolidated	
	2018 \$	2017 \$
Trade payables	230,328	1,143,401
Statutory liabilities	312,681	286,675
Commission payable	-	151,269
Prepayments received from advertisers	-	89,791
Other payables	148,113	229,479
	691,122	1,900,615

Trade payables 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.

**10. PROVISIONS**

	Consolidated	
	2018	2017
	\$	\$
<b>CURRENT</b>		
Employee benefits (a)	241,109	161,142
Income tax	29,970	586,469
	271,079	747,611
<b>NON-CURRENT</b>		
Employee benefits (a)	18,129	98,968

**(a) Employee Benefits**

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.

Movement in the provisions for employee benefits is as follows:

	Consolidated			
	2018		2017	
	Annual leave	Long service leave	Annual leave	Long service leave
	\$	\$	\$	\$
Balance at the beginning of financial year attributable to continuing operations	97,900	98,968	150,982	75,294
Amounts provided for during the year	242,772	4,905	280,569	23,674
Unused leave balances paid during the year	(43,908)	-	(73,440)	-
Leave taken during the year	(141,399)	-	(196,969)	-
Balance at the end of financial year	155,365	103,873	161,142	98,968

**The balance is split as follows:**

Current portion	155,365	85,744	161,142	-
Non-current portion	-	18,129	-	98,968

**11. INTEREST BEARING LOANS AND BORROWINGS**

Interest-bearing loans and borrowings comprise amounts owing under a debtor factoring facility. The amount 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 12 for further information.

The debtor factoring facility enables the Company's Canadian subsidiary, Mpire Network Inc, to receive cash receipts in advance on certain of its customer invoices which are purchased by the lender. This is a rolling loan facility which is repaid as debtors settle their accounts and which may be replaced with new borrowings against new debtor invoices. The amount which may be advanced is 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 is charged by the lender. Where the customer invoice remains unpaid after 30 days, a further fee of 0.033% of the invoice value is charged per day thereafter that the invoice remains unpaid. In addition to the fees, interest is payable on the average daily balance drawn based on the Bank of Montreal prime rate plus 3%. In the event the customer invoice remains unpaid for 90 days from invoice date, Mpire Network may be required to repay to the lender all advances received for that invoice plus all related fees, interest and costs associated with that invoice. Under the current terms the debtor factoring facility will terminate on 31 March 2019. Mpire Network is not obligated to factor a minimum value of customer invoices over the life of the facility.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 11. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

	2018	2017
	\$	\$
Debt factoring facility balance at 30 June	82,395	1,096,574
	82,395	1,096,574

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

	2018	2017
	\$	\$
Carrying amounts of assets (trade receivables)	91,404	1,218,416
Carrying amounts of associated liabilities (amounts owing under the facility)	(82,395)	(1,096,574)

For those liabilities that have recourse only to the transferred asset

	2018	2017
	\$	\$
Fair value of assets (trade receivables)	91,404	1,218,416
Fair value of associated liabilities (amounts owing under the facility)	(82,395)	(1,096,574)
Net position	9,009	121,842

Financing activities for the year was as follows:

	2018	2017
	\$	\$
Factoring facility balance at 1 July	1,096,574	-
Cash flows during the year	(1,014,179)	1,096,574
Factoring facility balance at 30 June	82,395	1,096,574

### 12. DISCONTINUED OPERATION

During the current year, the Company experienced a significant downturn in performance marketing revenue resulting from challenges experienced in accessing adequate volumes of quality online traffic.

After a stringent review of operations and sector outlook, the Board decided to shift the Company's focus and resources away from performance marketing and direct them instead towards the further development and future commercialisation of the Company's core technologies, nxus and TrafficGuard.

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**).

On 31 July 2018, Livelynk executed a share purchase agreement for the sale of 90% of Mpire Network, to ClearPier for a cash consideration of \$900,000 (\$500,000 received upfront and \$400,000 deferred) plus a maximum of \$6,000,000 under a 3 year profit share agreement.

The results of the performance marketing division are presented below:

**12. DISCONTINUED OPERATION (CONTINUED)**

	2018 \$	2017 \$
Revenue	15,483,256	37,025,141
Cost of services rendered	(13,050,446)	(27,630,610)
Gross Profit	2,432,810	9,394,531
Other Income	89,362	157,306
Administration costs	(249,127)	(310,700)
Compliance costs	(6,005)	(2,607)
Consultancy costs	(113,713)	(90,975)
Employment costs	(2,381,343)	(1,905,091)
Occupancy costs	(76,121)	(75,851)
Marketing costs	(305,680)	(391,920)
Bad and doubtful debts expense	12,535	(524,922)
Foreign exchange differences	(50,660)	(179,941)
Finance costs	(78,893)	(55,490)
Depreciation	(16,422)	(12,562)
Overheads	(3,265,429)	(3,550,059)
Profit / (loss) before income tax	(743,257)	6,001,778
Income tax benefit / (expense)	485,446	(553,753)
Profit / (loss) for the year	(257,811)	5,448,025

The major classes of assets and liabilities of Mpire Network classified as held for sale at 30 June 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 (Refer to note 11)	(82,395)
Liabilities directly associated with assets held for sale	(715,917)
Net assets directly associated with disposal group	438,603

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 12. DISCONTINUED OPERATION (CONTINUED)

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

	2018	2017
	\$	\$
Operating activities	613,177	(2,491,639)
Investing activities	(4,692)	(5,940)
Financing activities	(2,022,110)	147,683
Net cash (outflow) / inflow	(1,413,625)	(2,349,896)

### 13. CONTRIBUTED EQUITY

#### (a) Issued Capital

	Consolidated 2018	2017
	\$	\$
Ordinary shares, fully paid	22,586,507	17,157,235

#### (b) Movements in Share Capital

	2018		2017	
	Number	\$	Number	\$
Shares on issue at 1 July	65,807,669	17,157,235	65,741,001	17,143,905
Shares issued on conversion of Class B Performance Rights	7,500,000	2,549,272	-	-
Shares issued on conversion of Class C Performance Rights	-	-	33,334	13,330
Shares issued under an Employee Incentive Plan	196,664	-	-	-
Shares issued pursuant to a placement	15,000,000	3,000,000	-	-
Share issue costs	-	(186,000)	-	-
Shares issued as consideration for placement services	293,334	66,000	-	-
Shares issued as consideration for acquisition of controlled entity (refer to Note 15)	-	-	33,334	-
Shares on issue at 30 June	88,797,667	22,586,507	65,807,669	17,157,235

#### (c) Ordinary Shares

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.

**13. CONTRIBUTED EQUITY (CONTINUED)****(d) 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 2018 and 30 June 2017. 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.

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Interest bearing loans and borrowings (Note 11)	-	1,096,574
Trade and other payables (Note 9)	691,122	1,900,615
Less: cash and cash equivalents (Note 6)	(4,054,816)	(8,202,204)
Net (Debt) / Capital	(3,363,694)	(5,205,015)
Equity	22,586,507	17,157,235
Total Capital	22,586,507	17,157,235
<b>Capital and net debt</b>	<b>19,222,813</b>	<b>11,952,220</b>
Gearing ratio	(17%)	(44%)

**14. RESERVES**

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Share based payments reserve	2,658,453	5,096,104
Foreign currency translation reserve	12,346	(67,255)
<b>Share based payments reserve</b>		
Balance at beginning of year	5,096,104	4,893,993
Fair value of options issued to Directors	45,616	196,557
Fair value of Class C Performance Rights converted into ordinary shares	-	(13,330)
Fair value of Class B Performance Rights converted into ordinary shares	(2,549,272)	-
Fair value of Class C Performance Rights recognised (refer to Note 16)	-	12,219
Fair value of Class D Performance Rights recognised (refer to Note 16)	6,109	6,665
Fair value of Class E Performance Rights recognised (refer to Note 16)	6,415	-
Fair value of Class F Performance Rights recognised (refer to Note 16)	25,659	-
Fair value of Class G Performance Rights recognised (refer to Note 16)	3,564	-
Employee Share Scheme expense	24,258	-
Balance at end of year	2,658,453	5,096,104
<b>Foreign currency translation reserve</b>		
Balance at beginning of year	(67,255)	396,849
Foreign exchange differences arising on translation of foreign operations	79,601	(464,104)
Balance at end of year	12,346	(67,255)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 14. RESERVES (CONTINUED)

#### Nature and Purpose of Reserves

##### Share based payments

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.

##### Foreign Currency

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.

### 15. CORPORATE TRANSACTION

In the prior year the Company's acquisition of the Croatian based entity, Appenture d.o.o. was finalised. The provisional cost of the acquisition determined in FY16 was updated to reflect the final valuation of the net assets acquired.

The finalised fair value of the consideration transferred was:

	\$
Cash paid	75,680
Ordinary shares issued	14,000
<b>Acquisition date fair value consideration transferred</b>	<b>89,680</b>

The finalised fair values of the identifiable assets and liabilities of Appenture d.o.o. as at the date of acquisition, 1 June 2016, were as follows:

	\$
Cash and cash equivalents	34,609
Trade and other receivables	23,787
Plant and equipment	12,686
<b>Total assets</b>	<b>71,082</b>
Trade and other payables	(6,159)
Employee benefits	(9,243)
<b>Total liabilities</b>	<b>(15,402)</b>
Provisional fair value of identifiable net assets	55,680
Goodwill arising on acquisition	34,000
<b>Acquisition date fair value consideration transferred</b>	<b>89,680</b>

The net cash outflow to complete the acquisition in FY17 was \$28,995.

**16. SHARE BASED PAYMENTS****(a) Share Based Payments in Existence During the Year**

Security	2018 Financial Year Number	2017 Financial Year Number	Grant Date	Expiry Date	Exercise Price (cents)	Fair Value at Grant Date (cents)
Options transferred under reverse acquisition accounting <sup>1</sup>	-	6,800,000	01/10/2012	31/12/2016	20	19.00
Options (50c exercise price) <sup>2</sup>	7,000,000	7,000,000	29/06/2015	29/06/2018	50	14.69
Options (45c exercise price)	1,500,000	1,500,000	26/05/2017	30/03/2020	45	13.10
Options (45c exercise price)	500,000	-	26/10/2017	25/08/2020	45	9.12
Class B Performance Rights	7,500,000	7,500,000	29/06/2015	29/06/2017	N/A	17.00
Class C Performance Rights	-	33,334	01/06/2016	01/06/2017	N/A	39.99
Class D Performance Rights	33,332	33,332	01/06/2016	01/06/2018	N/A	39.99
Class E Performance Rights	150,000	-	26/10/2017	30/06/2019	N/A	10.57
Class F Performance Rights	900,000	-	26/10/2017	30/06/2019	N/A	7.05
Class G Performance Rights	150,000	-	26/10/2017	30/06/2019	N/A	5.87

<sup>1</sup> These options were fair valued on 29 June 2015 as part of the corporate transaction whereby Tech Mpire Limited acquired Livelynk Group Pty Ltd and its subsidiaries. Reverse acquisition accounting was applied to this transaction. These options lapsed during the 2017 financial year.

<sup>2</sup> These options lapsed on 29 June 2018.

**(b) Options**

500,000 options were granted during the current year (2017: 1,500,000).

The fair value of options granted during the year was \$45,616 (2017: \$196,557). The options were issued as part of directors' remuneration and vested on issue. Holders of options do not have any voting or dividend rights in relation to the options.

The weighted average fair value of the options granted during the year was \$0.091 (2017: \$0.131). Options were valued using the Black-Scholes model and took into account the following assumptions:

Dividend yield	0.00%
Expected volatility	85.59%
Risk-free interest rate	2.02%

No allowance was made for the effects of early exercise.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 16. SHARE BASED PAYMENTS (CONTINUED)

#### (b) Options (Continued)

The following table illustrates the outstanding options granted, exercised and forfeited during the year.

	2018		2017	
	Number	Weighted average exercise price (cents)	Number	Weighted average exercise price (cents)
Outstanding at 1 July	8,500,000	49.12	13,800,000	17.31
Granted during the year	500,000	45.00	1,500,000	45.00
Options exercised during the year	-	-	-	-
Options expired during the year	(7,000,000)	(50.00)	(6,800,000)	(20.00)
Outstanding as at 30 June	2,000,000	45.00	8,500,000	49.12
Subject to escrow restrictions at 30 June	-		500,000	50.00
Exercisable at 30 June	2,000,000		8,000,000	49.06

No options were forfeited during the current year (2017: Nil).

The weighted average remaining contractual life for the share-based payment options outstanding as at 30 June 2018 was 1.85 years (2017: 1.31 years).

The exercise price for share-based payment options outstanding as at the end of the year was \$0.45 (2017: range of \$0.45 to \$0.50).

500,000 options were issued to directors during the current year (2017: 1,500,000).

#### (c) Performance Rights

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

The fair value of performance rights granted and vested during the current year and prior year is set out below.

2018

Security	Number granted	Fair Value of performance rights granted (\$)	Number vested	Share based payments expense (\$)
Class D Performance Rights (note ii)	-	-	33,332	6,109
Class E Performance Rights (note iii)	150,000	15,856	-	6,415
Class F Performance Rights (note iii)	900,000	63,423	-	25,659
Class G Performance Rights (note iii)	150,000	8,809	-	3,564
	1,200,000	88,088	33,332	41,747

The weighted average fair value per right of the performance rights granted during the current year is \$0.07 (2017: Nil).

**16. SHARE BASED PAYMENTS (CONTINUED)****(c) Performance Rights (Continued)**

2017

Security	Number granted	Fair Value of performance rights granted (\$)	Number vested	Share based payments expense (\$)
Class B Performance Rights (note i)	-	-	7,500,000	-
Class C Performance Rights (note ii)	-	-	33,334	12,219
Class D Performance Rights (note ii)	-	-	-	6,665
	-	-	7,533,334	18,884

**(i) Class B Performance Rights**

The Class B performance rights were issued to key management personnel as incentive awards and were subject to escrow restrictions until 7 July 2017. The escrow restrictions applied to the performance rights and to the ordinary shares into which they are converted.

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

Dividend yield	0.00%
Expected volatility	80.00%
Risk-free interest rate	2.02%
Probability at grant date of the performance milestone being achieved	50%

The vesting condition attached to the Class B performance rights was the achievement by the Livelynk Group (Livelynk Group Pty Ltd, Mpire Media Pty Ltd and Mpire Network Inc) of cumulative net profit of \$1,500,000 on or before 29 June 2017. The performance rights vested in FY17 and were converted into ordinary shares on a one for one basis on 31 August 2017.

**(ii) Class C and Class D Performance Rights**

The Class C and Class D performance rights were issued to incentivise management of Appenture d.o.o (acquired on 1 June 2016). These performance rights were valued on grant date using the Black-Scholes model and taking into account the following assumptions:

	Class C	Class D
Dividend yield	0.00%	0.00%
Expected volatility	80.00%	80.00%
Risk-free interest rate	1.68%	1.68%
Probability at grant date of the performance milestone being achieved	100%	100%

The vesting conditions, milestone dates and status of the Class C and Class D performance rights are set out below:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 16. SHARE BASED PAYMENTS (CONTINUED)

#### (c) Performance Rights (Continued)

Class	Vesting Condition	Milestone Date	Status
Class C performance rights	The Class C performance rights vest on 1 June 2017 provided that, on or before that date, the holder has neither been summarily terminated by, nor has resigned as a full time employee or a non-executive director (as applicable) from, Appenture d.o.o.	1 June 2017	Vested on 1 June 2017 and converted into ordinary shares on 7 June 2017.
Class	Vesting Condition	Milestone Date	Status
Class D performance rights	The Class D performance rights vest on 1 June 2018 provided that, on or before that date, the holder has neither been summarily terminated by, nor has resigned as a full time employee or a non-executive director (as applicable) from, Appenture d.o.o.	1 June 2018	Vested on 1 June 2018. As at 30 June 2018, the performance rights had not yet been converted into ordinary shares. The share based expense has been recognised in full.

#### (iii) Class E, F and G Performance Rights

The Class E, F and G performance rights were issued to key management personnel as incentive awards on 26 October 2017.

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

	Class E	Class F	Class G
Dividend yield	0.00%	0.00%	0.00%
Expected volatility	85.59%	85.59%	85.59%
Risk-free interest rate	0.19%	0.19%	0.19%
Probability at grant date of the performance milestone being achieved	45%	30%	25%

The vesting conditions, expiry dates and status of the Class E, F and G performance rights are set out below:

Class	Vesting Condition	Expiry Date	Status
Class E performance rights	The Class E performance rights vest on the achievement of a 5 day VWAP of \$0.80	30 June 2019	Not yet vested as at 30 June 2018.
Class F performance rights	The Class F performance rights vest on the achievement of a 5 day VWAP of \$1.00	30 June 2019	Not yet vested as at 30 June 2018.
Class G performance rights	The Class G performance rights vest on the achievement of a 5 day VWAP of \$1.20	30 June 2019	Not yet vested as at 30 June 2018.

### 17. ACCUMULATED LOSSES

	Consolidated	
	2018	2017
	\$	\$
Accumulated losses at the beginning of financial year	(13,982,000)	(14,399,206)
Net profit / (loss) for the year	(7,509,395)	417,206
Accumulated losses at the end of financial year	(21,491,395)	(13,982,000)

**18. FINANCIAL RISK MANAGEMENT**

The Group's principal financial instruments comprise receivables, interest-bearing loans and borrowings, payables and cash and cash equivalents which arise directly from its operations.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

**Risk Exposures and Responses****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 generates income from interest on surplus funds.

At balance date, the Group did not have material exposure to interest rate risk.

**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 only material cash balances denominated in a foreign currency held by the Group are cash amounts that are denominated in United States Dollars (USD). A summary of the AUD equivalent of the Group's cash balances at the reporting date is as follows:

	<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
USD balances		
Cash and cash equivalents	2,969,470	7,903,774
Net exposure	2,969,470	7,903,774

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the reporting date. The reasonably possible changes in AUD / USD exchange rates used below were derived by reference to the maximum movement in historical exchange rates per year over the last 5 years.

At 30 June 2018, if exchange rates had moved, as illustrated in the table below, with all other variables held constant, pre-tax loss and equity would have been affected as follows:

	<b>Effect on profit before tax (Higher)/Lower</b>		<b>Effect on pre-tax Equity Higher/(Lower)</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
+11%	326,642	869,419	326,642	869,419
-11%	(326,642)	(869,419)	(326,642)	(869,419)

**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 reasonably possible changes in AUD / USD exchange rates used below were derived by reference to the maximum movement in historical exchange rates per year over the last 5 years.

At 30 June 2018, if the closing exchange rate for the year had moved, as illustrated in the table below, with all other variables held constant, net group assets before Australian group tax would have been affected as follows:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 18. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Risk Exposures and Responses (Continued)

	Effect on net group assets before Australian group tax (Higher) / Lower		Effect on equity before Australian group tax Higher / (Lower)	
	2018	2017	2018	2017
	\$	\$	\$	\$
+11%	414,250	(931,715)	414,250	(931,715)
-11%	(414,250)	(931,715)	(414,250)	(931,715)

#### 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.

#### Trade Receivables

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.

The requirement for any impairment is analysed at each reporting date on an individual basis for major clients. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 7. 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 several jurisdictions and operate in largely independent markets.

#### 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 as trade receivables with reputable customers who have had no payment issues in the past and hence, does not have any material liquidity risk at the reporting date.

All financial assets and liabilities have a maturity of less than 6 months and as such, further detailed analysis has not been provided.

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

#### Fair Values

Fair values of financial assets and liabilities are equivalent to carrying values due to their short terms to maturity.

### 19. COMMITMENTS AND CONTINGENCIES

#### (a) Operating Lease Commitments – Group as Lessee

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

	Consolidated	
	2018	2017
	\$	\$
Within one year	153,792	196,877
After one year but not more than five years	255,211	402,450
More than five years	-	-
	409,003	599,327

#### (b) Property, Plant and Equipment Commitments

At balance date the Group had no contractual obligations to purchase plant and equipment (2017: nil).

#### (c) Contingent Liabilities

At balance date the Group had no pending legal claims or other contingent liabilities (2017: nil).

**20. RELATED PARTY DISCLOSURES**

The consolidated financial statements include the financial statements of Tech Mpire Limited and the entities listed in the following table.

	Country of incorporation	% Equity interest	
		2018	2017
Livelynk Group Pty Ltd <sup>1</sup>	Australia	100	100
Mpire Media Pty Ltd <sup>2</sup>	Australia	100	100
Mpire Operations Asia Pacific Pte Ltd <sup>2</sup>	Singapore	100	-
Mpire Network Inc. <sup>2</sup>	Canada	100	100
Appenture d.o.o. <sup>2</sup>	Croatia	100	100

1. equity interest is held directly by Tech Mpire Limited.

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

**Transactions with Related Parties**

During the current year, the Company entered into a consultancy agreement with Mr Ratty for the provision of Corporate Advisory services which included advice on roadshows, communication with current and potential shareholders, and marketing. 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.

During the prior year the Company entered into a consultancy agreement with Mr Hunter for the provision of business, sales and marketing advice. Under this agreement Mr Hunter was entitled to fees of \$8,333 per month (exclusive of GST) with effect from 1 April 2017. The term of the agreement was 1 year. However, the contract was terminated on 15 May 2017 when he was appointed Managing Director. Under the agreement Mr Hunter was paid consultancy fees of \$nil (FY17: \$11,957).

**Guarantees**

Livelynk Group Pty Ltd is a guarantor under the debtor factoring agreement between Mpire Network Inc and Pivot Financial Inc.

**21. EVENTS AFTER BALANCE SHEET DATE**

On 31 July 2018, the Company's wholly owned subsidiary, Livelynk Group Pty Ltd, executed a share purchase agreement for the sale of 90% of Mpire Network Inc, to ClearPier Inc for a cash consideration of \$900,000 (\$500,000 received upfront and \$400,000 deferred) plus a maximum of \$6,000,000 under a 3 year profit share agreement.

No other event has arisen since 30 June 2018 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.

**22. AUDITOR'S REMUNERATION**

Remuneration of the Group's Auditor, Ernst and Young, was as Follows:

	Consolidated	
	2018	2017
	\$	\$
Audit or review of the financial report	86,004	69,254
Non-audit services provided	85,733	66,913
	171,737	136,167

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

### 23. 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:

	2018 Number	2017 Number
Weighted average number of ordinary shares used in the calculation of basic earnings / (loss) per share	80,290,480	65,776,070
Weighted average number of ordinary shares used in the calculation of diluted earnings / (loss) per share	80,290,480	76,768,581
	\$	\$
Profit / (loss) attributable to ordinary equity holders of Tech Mpire Limited		
Continuing operations	(7,251,584)	(5,030,819)
Discontinued operations	(257,811)	5,448,025
Profit / (loss) attributable to ordinary equity holders of Tech Mpire Limited for basic and diluted earnings / (loss)	(7,509,395)	417,206
	Cents	Cents
Basic earnings / (loss) per share	(9.35)	0.63
Basic earnings / (loss) per share – continuing operations	(9.03)	(7.65)
Basic earnings / (loss) per share – discontinued operations	(0.32)	8.28
Diluted earnings / (loss) per share	(9.35)	0.54
Diluted earnings / (loss) per share – continuing operations	(9.03)	(6.55)
Diluted earnings / (loss) per share – discontinued operations	(0.32)	7.09

#### 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 unlisted 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.

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.

### 24. DIRECTORS AND EXECUTIVE DISCLOSURE

#### (a) Compensation of Key Management Personnel

	Consolidated 2018 \$	2017 \$
Short-term employee benefits	1,894,036	1,781,885
Post-employment benefits	86,711	76,295
Other long-term benefits	4,624	13,086
Share based payments	81,253	196,557
	2,066,624	2,067,823

**25. PARENT ENTITY INFORMATION**

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

	As at 30 June 2018 \$	As at 30 June 2017 \$
<b>Financial Position</b>		
<b>Assets</b>		
Current assets	3,496,524	6,514,409
Non-current assets	6,115,359	2,909,283
<b>Total assets</b>	<b>9,611,883</b>	<b>9,423,692</b>
<b>Liabilities</b>		
Current liabilities	370,223	415,217
Non-current liabilities	51,173	49,246
<b>Total liabilities</b>	<b>421,396</b>	<b>464,463</b>
<b>Net assets</b>	<b>9,190,487</b>	<b>8,959,229</b>
<b>Equity</b>		
Contributed equity	19,354,405	13,925,133
Share based payment reserve	1,344,306	3,781,958
Accumulated losses	(11,508,224)	(8,747,862)
<b>Total equity</b>	<b>9,190,487</b>	<b>8,959,229</b>
<b>Financial Performance</b>		
Loss for the year	(2,760,362)	(1,542,494)
Other comprehensive income	-	-
<b>Total comprehensive loss</b>	<b>(2,760,362)</b>	<b>(1,542,494)</b>



## DIRECTORS' DECLARATION

### In the Directors' Opinion:

- (a) The financial statements and notes of Tech Mpire Limited set out on pages 21 to 57 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 2018 and its performance for the financial year ended on that date, and
- (b) Note 2(a)(i) 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(y), 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 2018.

On behalf of the board



**Stephen Belben**  
**Non-Executive Chairman**

Perth, Western Australia  
Dated this 30th day of August 2018



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## INDEPENDENT AUDITOR'S REPORT

To the members of Tech Mpire Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Tech Mpire Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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:

- (i) giving a true and fair view of the consolidated financial position as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- (ii) 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 *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have 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 in the financial statements, which indicates that the Company incurred a net loss of \$7,509,395 during the year ended June 30, 2018 and, as of that date, the Company's current assets exceeded its current liabilities by \$3,679,336. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.



## 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 statements. 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. Revenue recognition

Why significant	How our audit addressed the key audit matter
<p>Revenue is an important measure by which to assess the performance of the Group.</p> <p>The Group's business model is performance-based whereby advertising revenue is earned at the point when a measurable conversion is achieved. These are measurable goals related to the Group's advertising service, such as subscriptions sale of a product, installation of software and mobile applications, registration of a customer, or other quantifiable targets.</p> <p>There is a risk of improper revenue recognition, particularly with regard to the accuracy of conversions tracked by the Group, using their IT tracking platform and the increasing volume of data processed during the year.</p> <p>Accordingly, we considered this to be a key audit matter.</p> <p>The Group's disclosures about revenue recognition and related receivables from advertisers as at 30 June 2018 are included in the significant accounting policies in Note 2(k) as well as in Note 12.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Assessed whether the Group's accounting policy in respect of revenue recognition was in accordance with Australian Accounting Standards.</li> <li>Selected a sample of revenue transactions and agreed conversions to underlying sales invoices and evidence of customer acceptance, such as and cash received.</li> <li>Assessed the determination of any accrued revenue recognised at year-end.</li> <li>We selected a sample of revenue transactions recorded both prior to and subsequent to balance date to assess whether revenue had been recognised in the appropriate accounting period.</li> <li>Performed an analysis of revenue recognised during the year compared to our expectations, considering revenue, margins and other direct costs such as commission expenses. Where significant or unusual variances were identified we sought supporting evidence.</li> <li>We assessed the adequacy of the related disclosures and presentation in the financial report and whether this complied with Australian Accounting Standards.</li> </ul>



## 2. Income taxes

### Why significant

There is significant judgment in accounting for income taxes given the number of jurisdictions in which the Group operates, which give rise to complexity and uncertainty in the calculation of income taxes.

The evaluation of areas of tax risk, and the recognition and recoverability of deferred tax assets in respect of tax losses, were significant to our audit because the assessment requires significant judgment and is based on assumptions that are affected by uncertain future events.

The Group's taxation related disclosures are included in the significant accounting policies in Note 2(m), Note 2(x) as well as in Note 5.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ We assessed the calculated tax balances for the Group's material legal entities.
- ▶ We assessed the recoverability of deferred tax assets recognised and considered the Group's basis where deferred tax assets where the Group does not have taxable temporary differences available that support the recognition of these losses.
- ▶ We involved our Australian and international tax specialists in the assessment of the recorded tax positions.
- ▶ We assessed the adequacy of tax disclosures and presentation in the financial report and whether this complied with Australian Accounting Standards.

## 3. Share-based payments

### Why significant

In the current year, the Group granted share based payments in the form of performance rights and share options. The awards vest subject to the achievement of certain vesting conditions.

The Group used the Black Scholes model to value the then determined the related share based payment expense of \$111,621 recorded in the consolidated statement of profit or loss.

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.

The Group's disclosures about share based payments are included in the significant accounting policies in Note 2(v), Note 2(x) as well as in Note 16.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ We assessed whether the assumptions used in the Group's calculation, including volatility, were appropriate and that the calculation was in accordance with Australian Accounting Standards. We involved our valuation specialists in performing these procedures.
- ▶ We assessed the adequacy of the share based payment disclosure in the financial report.



#### 4. Discontinued operations

##### Why significant

The Group has presented the performance marketing division as a discontinued operation in the statement of profit and loss and other comprehensive income and as a disposal group held for sale in the statement of financial position. The result of the discontinued operations amounts to loss after tax of \$257,811.

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.

The Group's disclosures related to discontinued operations are included in Note 12.

##### How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ We assessed whether the classification of discontinued operations and disposal group held for sale was appropriate based on the criteria set out in Australian Accounting Standards.
- ▶ We determined whether the disposal group held for sale was correctly presented and whether it was recorded at the lower of carrying amount and fair value less costs of disposal.
- ▶ We assessed the adequacy of the discontinued operations disclosure in the financial report.

#### 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 in the Company's Annual Report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 upon 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 related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or 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 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 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.
- ▶ 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 entity'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 in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 19 the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Tech Mpire Limited for the year ended 30 June 2018, 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  
30 August 2018

The following additional information is required by the Australian Securities Exchange. The information is current as at 27 September 2018.

## CORPORATE GOVERNANCE

The Board of Tech Mpire Ltd 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 <https://www.techmpire.com/about-us/corporate-governance/>.

## SECURITY HOLDING

The security holding information outlined below is current as at 27 September 2018.

### 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%	5/9/2017
Zhenya Holdings Pty Ltd	10,000,000	-	13.64%	1/9/2017

### 2. Number of Holders of Each Class of Equity Security

#### Ordinary Fully Paid Shares

There are 842 holders of ordinary fully paid shares.

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 3 holders of the 1,500,000 unlisted options on issue. There are no voting rights attached to these options.

#### Performance Rights

There are 2 holders of the 33,332 unlisted Class D performance rights on issue. There are no voting rights attached to these performance rights.

### 3. Distribution Schedules

#### Shareholders

Spread of holders	Number of Shareholders	Number of Shares
Nil Holding	-	-
1 - 1,000	43	11,429
1,001 - 5,000	144	475,237
5,001 - 10,000	104	898,222
10,001 - 100,000	424	16,309,606
Over 100,000	127	71,103,173
<b>Total on register</b>	<b>842</b>	<b>88,797,667</b>



**3. Distribution Schedules (Continued)****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	3	1,500,000
<b>Total on register</b>	<b>3</b>	<b>1,500,000</b>

**Performance Right Holders**

Spread of holders	Number of Class D Performance Rights Holders	Number of Class D Performance Rights
Nil Holding	-	-
1 - 1,000	-	-
1,001 - 5,000	-	-
5,001 - 10,000	-	-
10,001 - 100,000	2	33,332
Over 100,000	-	-
<b>Total on register</b>	<b>2</b>	<b>33,332</b>

**4. Restricted Securities**

As at 27 September 2018, there are:

- 128,588 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; and
- 293,334 ordinary shares that are under voluntary escrow until 26 December 2018

## 5. Top 20 Shareholders

	Holder name	Number	% of issued capital
1	Zhenya Hldgs Pty Ltd <Zhenya Hldgs A/C>	10,000,000	11.26%
2	National Nominees Ltd	5,264,644	5.93%
3	MC Management Group Pty Ltd	5,000,000	5.63%
4	Taylor Luke <Taylor Fam A/C>	3,250,000	3.66%
5	H Cunnold Pty Ltd	2,406,450	2.71%
6	Unaval Nom Pty Ltd <Unaval Mgmt C/C>	2,400,000	2.70%
7	Daws & Sons Pty Ltd	2,000,000	2.25%
8	Barry Leo David	1,639,050	1.85%
9	MC Management Group Pty Ltd <MC A/C>	1,551,676	1.75%
10	Morckstow Pty Ltd	1,430,000	1.61%
11	Upsky Equity Pty Ltd <Upsky Inv A/C>	1,287,077	1.45%
12	Reco Hldgs Pty Ltd <Reco S/F A/C>	1,150,000	1.30%
13	Alexander Peter + S <PA & SA S/F A/C>	1,130,000	1.27%
14	Mackinnon Barry J + P A	1,100,000	1.24%
15	Giovanni Nom Pty Ltd <Giovanni Fam A/C>	1,100,000	1.24%
16	Stanley Scott D + L A <Stanley S/F A/C>	1,000,000	1.13%
17	Reed Martin James <East Syd Unit A/C>	1,000,000	1.13%
18	Rho Shane Michael	900,269	1.01%
19	Hui Titus Xien Tat	775,000	0.87%
20	Moperry Pty Ltd (Pursell Retmnt Fun)	750,000	0.84%
	<b>Total</b>	<b>45,134,166</b>	<b>50.83%</b>

## 6. Marketable Parcels

There are 234 shareholders with less than a marketable parcel of \$500 based on a share price of 5.7 cents.

## 7. On-Market Buy-Back

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

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