

Linius Technologies Limited

ABN 84 149 796 332

Appendix 4D

Half-year report

31 December 2019

Reporting period

Report for the half-year ended 31 December 2019.

Previous corresponding period is the half-year ended 31 December 2018.

Results for announcement to the market

	Increase/(decrease) over previous corresponding period		
	\$	\$	%
Revenue from ordinary activities	28,643	(48,131)	(62.7%)
Profit/(Loss) from ordinary activities after tax attributable to members	(4,736,957)	(1,689,207)	(26.2%)
Net profit/(loss) for the period attributable to members	(4,736,957)	(1,689,207)	26.2%

Dividends

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

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

Explanation of results

Results for the 6 months to December 2019

The principal activities during the six-month period have been the commercialisation and continued development of the patented Linius Video Virtualization Engine™. During the period the entity has expanded its operations and increased its marketing activities in pursuing the commercialisation of the software.

Further information and brief explanation of the above figures is contained in the half year consolidated financial report, which has been subject to independent review and which is lodged with this Appendix 4D.

Net tangible asset backing

	Current period	Previous corresponding period
Net tangible assets per ordinary security	0.24 cents	0.47 cents

Signed:



Giuseppe Rinarelli
CFO & Company Secretary

28 February 2020
Melbourne

Linus Technologies Limited

ABN 84 149 796 332

ASX CODE: LNU

Half-Year Report 31 December 2019

The information in this half-year report should be read in conjunction with the annual report of Linus Technologies Limited for the year ended 31 December 2019

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Corporate Information

Directors

Gerard Bongiorno – Executive Chairman
Christopher Richardson – CEO and Executive Director
Stephen McGovern – Non-Executive Director

Company Secretary

Giuseppe Rinarelli

Registered office and principal place of business

Suite 13, Level 3, 299 Toorak Road
South Yarra VIC 3141
Telephone: (03) 8672 7186

Website

www.linius.com

Auditors

KPMG
727 Collins Street
MELBOURNE VIC 3008

Bankers

National Australia Bank Limited

Stock Exchange

Australian Securities Exchange
Level 40, Central Park
152-158 St Georges Tce
PERTH WA 6000

ASX Code

LNU

Share Register

Advanced Share Registry Ltd
110 Stirling Highway
NEDLANDS WA 6009
Telephone: (08) 9389 8033
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Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Linus Technologies Limited (referred to hereafter as the 'Company' or 'parent entity' or 'Linus') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were directors of Linus Technologies Limited during the reporting period and to the date of this report, unless otherwise stated:

Gerard Bongiorno
Christopher Richardson
Stephen McGovern

Principal activities

During the financial period the principal continuing activities of the consolidated entity were the continued development and commercialisation of the Linus Video Virtualization Engine™. The entity is an Australian company that has designed and patented the world's first video virtualisation technology. The technology transforms large, inflexible video files into small, highly-flexible data structures. The patented process applies two techniques to video – data indexing and virtualisation, which means that video can be indexed, spliced and edited in real time.

Review of operations

During the half year to December 2019 the Company continued its strategic focus, and achieved important successes in signing its first deals in the sports vertical, launching the first of those to the open market, signing and expanding reseller arrangements, and generating its first commercial revenue.

Key Achievements

1. New revenues

- First cash receipts received from commercial activities during the Half, with cash receipts anticipated to grow as clients deploy and build upon Linus' technology.
- In the December 2019 half year, the Company signed commercial agreements with:
 - Australian National Basketball League (NBL),
 - Racing.com,
 - Essendon Football Club,
 - SportsHero Limited (ASX: SHO).

All meet our strategy perfectly and are deploying Linus' personalized video capability.

2. Client Deployments

- Racing.com was deployed in November 2019;
- Sportshero was deployed to the client in December 2019 and is awaiting the start of the Indonesian football league;
- NBL and Essendon are currently in deployment; and
- Linus in partnership with IBM have successfully launched the IBM Cloud DATN prototype at IBC, Amsterdam September 2020 building the world's first Video Blockchain prototype.

3. Consumer Engagement

- Consumer engagement, where consumers are our client's viewers, has been ahead of early expectations and growing, in terms of new videos created.
- In November 2019, the Company commissioned a research study of soccer fans in the UK to determine the potential market opportunity for personalized channels for its clients. The study was conducted by Quantum Market Research, who surveyed 1,000 football fans with a distribution equivalent to the population of the UK, in order to achieve statistically significant results. The outcome exceeded the Company's expectations:
 - 96% of respondents said they would be likely to use a personalized channel if it were offered as an additional service by their TV provider;
 - 77% of respondents said they would be more likely to renew their subscription if they were offered personalized channels; and,
 - the average price respondents said they would pay for their own personalized channel, on top of existing subscription fee, was £14.30 (\$27 AUD) per month.

A full copy of the research can be downloaded at: <https://try.linus.com/personalizedchannels>.

4. Market opportunity

While validation of the Company's technology in terms of its first commercial revenue was an important step, and while the Company expects revenue to grow from these initial deals, as its clients deploy and build upon Linus' technology¹, the significance of said deals is far greater in terms of outlining the future market opportunity. In the U.S. alone, only on the four largest sports networks (ESPN, ESPN2, Fox Sports, NBC Sports Network), viewers watched over 1 trillion (1,000 billion) minutes of sports in 2018.² Even at the individual-sport level, the numbers are quite large:

- English Premier League viewership for the 2018/19 season: 3.2 billion people³
- US National Basketball Association 2017/18 season viewership: over 1 billion unique viewers⁴
- World gambling statistics show that around 26% of the population gamble⁵, which includes watching and betting on horse racing

Going forward, the Company's plan is to continue to close remaining sports deals in its sales pipeline, focus on scaling sales of personalized channels and the Linus Club Solution through resellers; replicate the personalized channel capability across other verticals; and then extend commercially into other applications, beyond hyper-personalization.

5. Pricing

Linus made no material change to its pricing structure during the period.

Linus' pricing begins at \$0.0022 per minute of personalized TV viewed, with additional charges for other Linus software and services offered. In 2017, the world watched approximately 480 trillion minutes of TV, and spent approximately the same amount of time online.⁶

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial period.

¹ Actual revenue is dependent on end-user usage

² <https://www.hollywoodreporter.com/live-feed/staggering-amount-time-americans-spend-watching-tv-1224123>

³ <http://www.sportspromedia.com/news/premier-league-audience-figures-global-2018-19-season>

⁴ <https://www.forbes.com/sites/patrickmurray/2019/01/20/inside-the-nbas-attempts-to-reach-a-global-audience/>

⁵ <https://www.casino.org/gambling-statistics/>

⁶ 175 minutes per day per person, globally; 365 days in 2017; a world population of 7.53 billion:

<https://www.vox.com/2018/6/8/17441288/internet-time-spent-tv-zenith-data-media>

<https://www.un.org/development/desa/publications/world-population-prospects-the-2017-revision.html>

Linius Technologies Limited
Directors' report
31 December 2019

Going concern

For the half year ended 31 December 2019, the Group had an operating net loss after providing for income tax of \$4,736,957 (31 December 2018 loss: \$6,426,164) and net cash outflows from operating activities of \$4,340,563 (2018: \$5,533,396). The consolidated entity had net assets of \$6,074,898 at 31 December 2019 (30 June 2019: \$5,501,534) and cash on hand of \$3,181,769 (30 June 2019: \$2,298,200).

The ability of the Group to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. The financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of its business, realisation of assets and the settlement of liabilities in the normal course of business. Further details on the going concern basis of preparation used to prepare the half year financial statements are set out in note 1 to the half year financial statements.

Dividends

No dividends were paid or declared during the financial period.

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration, which forms part of this Directors' Report, is set out on page 14.

This report is made in accordance with a resolution of directors.

On behalf of the directors



Gerard Bongiorno
Executive Chairman

28 February 2020
Melbourne

Linius Technologies Limited

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31 December 2019

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General information

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

Linius Technologies Limited is an ASX listed public company limited by shares. Its registered office and principal place of business are:

Registered office

Suite 13, Level 3
299 Toorak Road
South Yarra VIC 3141

Principal place of business

Suite 13, Level 3
299 Toorak Road
South Yarra VIC 3141

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2020.

Linius Technologies Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

	Note	Consolidated	
		December 2019	December 2018
		\$	\$
Revenue			
Revenue		24,000	-
Interest received		4,643	76,774
Expenses			
Administrative expenses		(272,480)	(332,749)
Amortisation expenses		(270,000)	(270,000)
Depreciation expenses		(8,304)	(4,451)
Employee expenses		(758,012)	(323,342)
Consultant expenses		(518,878)	(1,897,500)
Director remuneration expenses		(234,035)	(262,035)
Share based payments expenses		(62,520)	(483,422)
Financial and compliance expenses		(114,823)	(144,878)
Marketing and promotional expenses		(378,637)	(392,119)
Software development expenses		(1,821,079)	(1,967,552)
Patent expenses		(27,796)	(27,849)
Legal expenses		(57,997)	(75,315)
Travel and accommodation expenses		(241,039)	(321,726)
Loss before income tax		(4,736,957)	(6,426,164)
Income tax (expense) credit		-	-
Loss after income tax expense for the year attributable to owners of the parent		(4,736,957)	(6,426,164)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to owners of the parent		(4,736,957)	(6,426,164)
Loss per share for loss attributable to the owners of the parent		Cents	Cents
Basic and diluted loss per share		(0.43)	(0.69)
Weighted average number of shares used in determining basic loss per share		1,103,350,988	937,757,874

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

Linius Technologies Limited
Consolidated statement of financial position
As at 31 December 2019

		Consolidated	
	Note	December 2019	June 2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		3,181,769	2,298,200
Trade and other receivables		91,469	286,389
Total current assets		<u>3,273,238</u>	<u>2,584,589</u>
Non-current assets			
Intellectual property	4	3,195,000	3,465,000
Property, plant and equipment		50,295	34,929
Total non-current assets		<u>3,245,295</u>	<u>3,499,929</u>
Total assets		<u>6,518,533</u>	<u>6,084,518</u>
Liabilities			
Current liabilities			
Trade and other payables		406,412	529,856
Employee provisions		37,223	53,128
Total current liabilities		<u>443,635</u>	<u>582,984</u>
Total liabilities		<u>443,635</u>	<u>582,984</u>
Net assets		<u>6,074,898</u>	<u>5,501,534</u>
Equity			
Issued capital		37,603,357	32,381,556
Reserves		5,075,141	4,986,621
Accumulated losses		<u>(36,603,600)</u>	<u>(31,866,643)</u>
Total equity		<u>6,074,898</u>	<u>5,501,534</u>

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

Linius Technologies Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2019

Consolidated	Issued capital \$	Equity settled benefits reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	30,047,557	4,363,160	(20,308,769)	14,101,948
Loss after income tax expense for the half year	-	-	(6,426,164)	(6,426,164)
Total comprehensive loss for the half year	-	-	(6,426,164)	(6,426,164)
<i>Transactions with owners in their capacity as owners:</i>				
Shares and options issued during the year (net of capital raising costs)	-	-	-	-
Share based payments	-	483,422	-	483,422
Total transactions with owners of the Company	-	483,422	-	483,422
Balance at 31 December 2018	<u>30,047,557</u>	<u>4,846,582</u>	<u>(26,734,933)</u>	<u>8,159,206</u>
Balance at 1 July 2019	32,381,556	4,986,621	(31,866,643)	5,501,534
Loss after income tax expense for the half year	-	-	(4,736,957)	(4,736,957)
Total comprehensive loss for the half year	-	-	(4,736,957)	(4,736,957)
<i>Transactions with owners in their capacity as owners:</i>				
Shares and options issued during the year (net of capital raising costs)	5,221,801	-	-	5,221,801
Share based payments	-	88,520	-	88,520
Total transactions with owners of the Company	5,221,801	88,520	-	5,310,321
Balance at 31 December 2019	<u>37,603,357</u>	<u>5,075,141</u>	<u>(36,603,600)</u>	<u>6,074,898</u>

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

Linius Technologies Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2019

	Note	Consolidated	
		December 2019	December 2018
		\$	\$
Cash flows from operating activities			
Receipts from customers		19,200	-
Payments to suppliers		(4,364,166)	(5,614,218)
Interest received		4,403	80,822
Net cash used in operating activities		<u>(4,340,563)</u>	<u>(5,533,396)</u>
Cash flows from investing activities			
Payments for property plant & equipment		<u>(23,669)</u>	<u>(14,779)</u>
Net cash used in investing activities		<u>(23,669)</u>	<u>(14,779)</u>
Cash flows from financing activities			
Proceeds from issue of shares	5	5,504,433	-
Capital raising costs paid		<u>(256,632)</u>	-
Net cash from financing activities		<u>5,247,801</u>	-
Net (decrease) / increase in cash and cash equivalents		<u>883,569</u>	<u>(5,548,175)</u>
Cash and cash equivalents at the beginning of the half year		<u>2,298,200</u>	<u>10,766,028</u>
Cash and cash equivalents at the end of the half year		<u><u>3,181,769</u></u>	<u><u>5,217,853</u></u>

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

Linius Technologies Limited
Notes to the consolidated financial statements
31 December 2019

Note 1. Significant accounting policies

Reporting entity

Linius Technologies Limited (the "Company") is a company domiciled in Australia. These condensed consolidated interim financial statements ("half year financial statements") as at and for the six months ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is a for-profit entity primarily involved in technology, including research and development of technology products, software development and the commercialisation and licencing of computer software.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, and IAS 34 *Interim Financial Reporting*.

They do not include all of the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2019.

These interim financial statements were authorised for issue by the Company's Board of Directors on 28 February 2020.

Except as stated below, these interim financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2019, which are available at the Company's registered office located at Suite 13, Level 3, 299 Toorak Road, South Yarra, Victoria and on the website www.Linius.com.

Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2019.

This is the first set of the Group's financial statements where AASB 16 *Leases* has been applied. There has been no impact on the profit or loss and the financial position as a result of applying AASB 16.

Going concern

For the half year ended 31 December 2019, the Group incurred an operating net loss of \$4,736,957 (2018: \$6,642,164) and net cash outflows from operating activities of \$4,340,563 (2018: \$5,533,396).

The ability of the Group to continue as a going concern is dependent upon a number of factors, one being the continuation and availability of funds. The financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of its business, realisation of assets and the settlement of liabilities in the normal course of business for a period of at least twelve months from the date of approval of these half year financial statements.

In determining that the going concern assumption is appropriate, the directors have had regard to:

- projected net cash outflows from operating activities, which are expected to continue for a period of at least twelve months from the date of approval of these financial statements;
- confidence in achieving expected sales through its commercialisation activities;
- prudent management of costs as required including the ability to control expenditures in line with cash resources available;
- being able to raise additional capital funds through conducting a capital raising to enable the continuation of the development and commercialisation activities as planned; and
- the Directors have prepared cash flow projections for the period from 1 January 2020 until 28 February 2021 that support the Group's ability to continue as a going concern. These cashflow projections assume the Group obtains sufficient additional capital funds from shareholders or other parties in order to continue development activities as planned. If such funding is not achieved, as stated above, the Group will be required to reduce expenditure to the level of funding available.

Linius Technologies Limited
Notes to the consolidated financial statements
31 December 2019

Note 1. Significant accounting policies (continued)

The Directors are confident the Group will be able to secure sufficient capital funds and the Group has a demonstrated track record of raising capital as required.

The Group's ability to continue to operate as a going concern is dependent upon the items listed above, where additional funds and/or alternative financing have yet to be secured. These conditions give rise to a material uncertainty as to whether the Group will be able to continue as a going concern and therefore should the Group be unable to continue as a going concern it may be required to realise assets at an amount different to that recorded in the statement of financial position, settle liabilities other than in the ordinary course of business and make provisions for other costs which may arise.

Note 2. Commitments and contingent liabilities

The consolidated entity has no contingent liabilities and commitments at the date of this report.

Note 3. Segment Reporting

During the half-year the consolidated entity operated as a developer of computer software in the Australasian region.

Note 4. Intellectual property

The Group acquired the intellectual property associated with the Linius technology from an unrelated party in November 2015. The intellectual property includes patents, copyright, confidential information and trademarks. In accordance with accounting standards and the Group accounting policies this asset is treated as having a finite life and is being amortised over 10 years:

	Consolidated	
	December	June
	2019	2019
	\$	\$
Intellectual property at cost	5,400,000	5,400,000
Accumulated amortisation	<u>(2,205,000)</u>	<u>(1,935,000)</u>
	<u>3,195,000</u>	<u>3,465,000</u>

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

The cost of the intellectual property was established upon the purchase of the intellectual property through a third-party transaction in November 2015. The value of the intellectual property was further validated through the reverse takeover process and capital raising undertaken by Linius Technologies Limited (Linius) in April/May 2016. During this process an independent report was commissioned, which gave the directors comfort that the intellectual property purchased was covered by valid patents, trademarks and copyright.

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

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

Linius Technologies Limited
Notes to the consolidated financial statements
31 December 2019

Impairment testing

As a result of the operating loss incurred, impairment analysis of the intellectual property has been performed using the following alternative methods:

(i) Market capitalisation approach

Since listing on ASX, the shares of Linius have traded in a ready market, supporting the value of the intellectual property asset. The assets of the Group at 31 December 2019 consist principally of cash of \$3,181,769 and intellectual property, after amortisation, of \$3,195,000. Net assets are \$6,074,898.

Linius shares closed at a price of 2.7 cents per share on 31 December 2019. Total fully paid ordinary shares on issue at 31 December 2019 are 1,178,511,189. This gives a market capitalisation of Linius of \$31.8 million. Given the nature of its operations and the Group's early stage commercial development, the directors believe that the recoverable amount of the intellectual property on the balance sheet at 30 December 2019 is supported by the market value of Linius.

(ii) Discounted cashflow approach

The recoverable amount of the CGU (being the Group as a whole at this stage of the Group's lifecycle) was estimated based on the value in use of the Group, determined by discounting the future cash flows to be generated from the continuing use of the Group's intellectual property. The following were key assumptions in the value in use analysis:

- Cash flows were forecast for a five-year period. The terminal value of the Group was based on the fifth-year cash flow and a long-term growth rate of 3%, which is consistent with market assumptions of the long-term growth target for Australia of between 2% and 3%.
- Revenue was based on a staged pipeline of licence income being earned, which is anticipated to grow at a monthly linear rate up until 2021 year and at set step up percentages from 2022 – 2024. Expenses are set based on the 2020 budget, increasing by anticipated growth required to support the increase in revenue forecast.
- An after-tax discount rate of 15% was applied in determining the recoverable amount of the Group. The discount rate was estimated based on an industry average weighted-average cost of capital and applying a premium to the industry average due to the Group being in its growth phase and the risks inherent in the cash flow forecast.

The recoverable amount of the CGU was determined to be higher than its carrying amount, indicating that no impairment was necessary. In addition, reasonably possible changes in key assumptions were considered, such as changes in revenue and expenses; sufficient headroom exists.

Note 5. Equity - issued capital

	Legal Parent		Consolidated	
	December 2019 Shares	June 2019 Shares	December 2019 \$	June 2019 \$
Ordinary shares - fully paid	<u>1,178,511,189</u>	<u>1,013,026,120</u>	<u>37,603,357</u>	<u>32,381,556</u>

Movements in ordinary share capital

Details	Date	No. of shares Legal Parent
Legal parent		
Balance as at 30 June 2019		1,013,026,120
Issue of shares through private placement (Directors and nominees)	July 2019	28,571,430
Issue of shares through private placement	October 2019	127,272,730
Share based payment of consulting fees	November 2019	275,000
Issue of shares through private placement (Directors)	December 2019	9,090,909
Share based payment of consulting fees	December 2019	275,000
Balance as at 31 December 2019		<u>1,178,511,189</u>

Linius Technologies Limited
Notes to the consolidated financial statements
31 December 2019

Note 5. Equity - issued capital (continued)

Movements in ordinary share capital (continued)

Details	Date	\$
Consolidated entity		
Balance as at 30 June 2019		32,381,556
Issue of shares through private placement (Directors and nominees)	July 2019	1,000,000
Issue of unlisted options expiring 29 November 2019	August 2019	4,433
Issue of shares through private placement*	October 2019	3,917,368
Share based payment of consulting fees**	November 2019	-
Issue of shares through private placement (Directors)	December 2019	300,000
Share based payment of consulting fees**	December 2019	-
Balance as at 31 December 2019		<u>37,603,357</u>

The share-based payment has been recorded via the equity settled benefits reserve.

*Net of \$282,632 of share-based payment transaction costs and other transaction costs.

**Issue of shares in respect of share-based payments of a combined amount of \$17,050 recorded directly into reserves.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Expenses arising from share based payment transactions

Net expenses arising from share based payment transactions recognised during the financial period were \$62,520 (\$483,422 for prior comparative period). This was in respect of the vesting charge attributed to options and equity settled share based payment for the six-month period.

Note 6. Fair value measurement

Due to the nature of the consolidated entity's operating profile, the Directors and management do not consider that the fair values of the consolidated entity's financial assets and liabilities are materially different from their carrying amounts at 31 December 2019.

Note 7. Tax expense

The consolidated entity's effective tax rate in respect of its continuing operations for the six months ended 31 December 2019 was nil percent due to the non-recognition of tax benefits arising from the operating loss incurred before tax. Management does not yet consider it probable that future taxable profits will be available against which unrecognised tax losses and temporary differences will be utilised and therefore these items have not been brought to account at balance date.

Note 8. Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Linus Technologies Limited
Directors' declaration
31 December 2019

In the opinion of the directors of Linus Technologies Limited ("the Company"):

1. the half year financial statements and notes set out on pages 7 to 13, are in accordance with the Corporations Act 2001, including;
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance, for the six-month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.

On behalf of the directors



Gerard Bongiorno
Executive Chairman

28 February 2020
Melbourne



Independent Auditor's Review Report

To the shareholders of Linius Technologies Limited,

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Linius Technologies Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of the Company is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2019 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2019
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 8 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Linius Technologies Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

The **Half year** is the 6 months ended on 31 December 2019.

Material uncertainty related to going concern – emphasis of matter

We draw attention to Note 1, "Going Concern" in the Half-year Financial Report. The conditions disclosed in Note 1 indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Half-year Financial Report. Our conclusion is not modified in respect of this matter.

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Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Linus Technologies Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Tony Batsakis
Partner

Melbourne
28 February 2020

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Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Linus Technologies Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Linus Technologies Limited for the half-year ended 31 December 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Tony Batsakis
Partner
Melbourne
28 February 2020

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