

Linius Technologies Limited

ABN 84 149 796 332

Appendix 4D

Half-year report

31 December 2020

Reporting period

Report for the half-year ended 31 December 2020.

Previous corresponding period is the half-year ended 31 December 2019.

Results for announcement to the market

	Increase/(decrease) over previous corresponding period		
	\$	\$	%
Revenue from ordinary activities	56,568	32,568	135.7%
Profit/(Loss) from ordinary activities after tax attributable to members	(2,676,491)	(2,060,466)	(43.5%)
Net profit/(loss) for the period attributable to members	(2,676,491)	(2,060,466)	(43.5%)

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 2020

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	0.27 cents	0.24 cents

Signed:



Giuseppe Rinarelli
CFO & Company Secretary

26 February 2021
Melbourne

Linus Technologies Limited

ABN 84 149 796 332

ASX CODE: LNU

**Half-Year Report
31 December 2020**

The information in this half-year report should be read in conjunction with the annual report of Linus Technologies Limited for the year ended 30 June 2020

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Corporate Information

Directors

Gerard Bongiorno – Executive Chairman
Christopher Richardson – CEO and Executive Director
Stephen McGovern – Non-Executive Director
John Wallace – 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 2020.

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
John Wallace (appointed 14 December 2020)

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.

The technology is now available in productised solutions targeting primarily the Video Conferencing and the sports broadcasting marketplaces.

Review of operations

The December Half Year saw the Company develop, deliver and commercialise its solutions in each of its target sectors, generating new recurring revenues.

Linus' core strategy of providing personalised TV solutions remains unchanged, as does the strategy of commercially validating solutions through direct sales and enabling our partners such as AWS to sell more of them.

The company launched new products, built upon the Video Virtualisation Engine core technology.

Linus' Whizzard Solutions launched into the Video Conferencing Market place targeting Enterprise and Education sectors.

Linus delivered its hyper-personalised sports solution to NBL, to generate new recurring revenues upon its launch by the NBL.

During the reporting period Linus strengthened the team with key appointments:

- Appointed John Wallace, ex NBC and Deluxe boss as an independent and non-executive director of the Company.
- Appointed Robert Scott, ex Hewlett Packard boss and start-up specialist to the Linus Advisory Board.

Finally, the half year saw the completion of a \$5m placement with the Company issuing 171,071,429 fully paid shares at \$0.028 per share on 1 October 2020. The placement included a \$210,000 investment from Linus Chairman Gerard Bongiorno. An additional \$250,000 was received in respect of the completion of the April placement following shareholder approval on 6 August 2020. Proceeds of the placement will be used to drive revenue growth for the Company's operations with specific focus on the productised Whizzard Meeting Solution and the now Sport Solution.

Key achievements

Linus now has delivered and commercially validated easily repeatable solutions into very large addressable markets. All the initiatives create the capacity to deliver repeatable solutions, at scale, which are quick to deploy and have predictable commercial outcomes.

The Company is primarily focussed on the commercialisation of two products:

- Whizzard Solutions, which adds significant value to the substantial video conferencing and education markets; and
- Sports Solution, which enhances the customer experience for sports broadcasters.

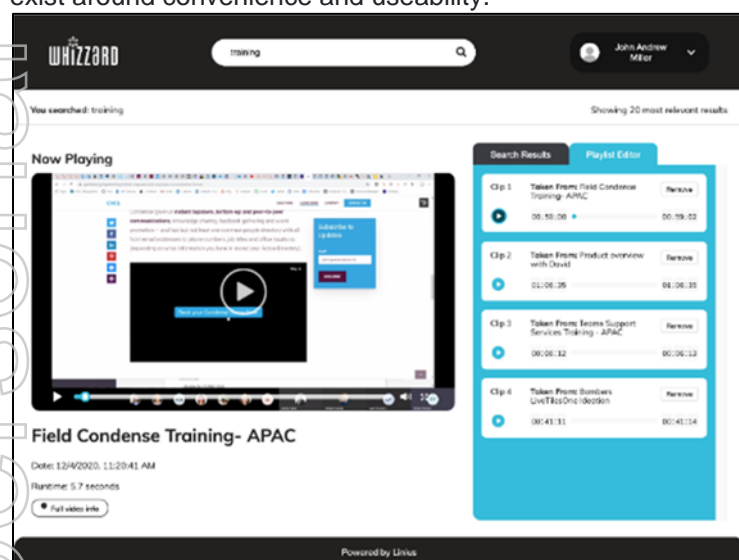
The quarter was focused on the delivery of these productised solutions, generating new recurring revenues in the quarter from Grafa.

Linus' management believes that having these solutions in market, visibly driving clients' businesses and delivering on the promise of personalised TV, will set the Company up well for faster recurring revenue growth.

Towards the end of the quarter Linus' focus moved from delivery of these client solutions to generating repeat sales and increased sales momentum.

Product 1 - Whizzard Solutions:

Whizzard Solutions was launched on 25 November 2020 and represents a significant evolution of the Linus AI Meeting Solution. Whizzard, with its world-first technology, provides people with the ability to search, create and share the critical business and education knowledge, which is hidden within these recordings due to the barriers that exist around convenience and useability.



The video conferencing market is booming, with more people than ever before using platforms such as Zoom, Webex Meetings and Microsoft Teams for remote working and learning.

- The Video Conferencing Market size surpassed USD 14 billion in 2019 and is anticipated to grow at over 19% CAGR between 2020 and 2026.¹
- Zoom holds 37% of the web conferencing market share (#1), and Cisco Webex holds 17% (#3).²
- Zoom reported up to 300 million plus users per day in 2020.³
- Microsoft has grown its Microsoft Teams Users from 2 million in November 2017, to 115 million in November 2020.⁴

[1] Source: *Global market insights: Video Conferencing Market Size By Component (Hardware [Multipoint Control Unit (MCU), Codecs, Peripheral Devices], Software [On-premise, Cloud], Service [Professional, Managed]), By Type (Room-Based, Telepresence, Desktop), By Application (Corporate Enterprise, Education, Government, Healthcare), Industry Analysis Report, Regional Outlook, Growth Potential, Competitive Market Share & Forecast, 2020 – 2026*

<https://www.gminsights.com/industry-analysis/video-conferencing-market>

² Source: *Datanyze Web conferencing*

<https://www.datanyze.com/market-share/web-conferencing--52>

³ Source: *Bloomberg: Zoom Clarifies It Has 300 Million 'Participants,' Not Users (1 May 2020)*

<https://www.bloomberg.com/news/articles/2020-04-30/zoom-clarifies-it-has-300-million-participants-not-users>

⁴ Source: *Business of Apps Microsoft Teams Revenue and Usage Statistics (2020) (8 December 2020)*

Linus Technologies Limited
Directors' report
31 December 2020

A significant proportion of these meetings are recorded but are rarely accessed.

With Whizzard, users can quickly search for and assemble relevant segments from within their recordings to use, share and collaborate. An aggressive product development plan sees new functionality released on a weekly basis and will quickly deliver a fully self-service platform that can be marketed to the world's video conferencing market.

The Company is following a disciplined and focused sales plan, aligning target markets with product functionality at all times, and is initially focusing on direct sales to provide referenceable clients and new near-term recurring revenues. The Company will open the product to global marketplaces via its partners, integrations and marketplaces as the product becomes fully self-service later in this quarter.

The product is available today at US\$4 per user per month, plus content enrichment packages.

Product 2 - Sports Solution

Linus' Sports Solution has now been deployed to NBL, Racing.com and Sportshero. NBL has delayed formal launch while they complete the deployment of their new video platform. Sportshero's go-live date remains dependent on the recommencement of the Indonesian Soccer league.

Each fan can input their own preferences such as favourite team, players, actions, matches etc, and a new video content stream will be instantly created to their specific requirements. They can edit and share their channel, generating followers. Their channel automatically updates when new content matching their individual preferences becomes available. The service can be subscription based or advertising funded.

The NBL service is the first service of its kind in the world, with no other known technology able to deliver personalized TV channels with viewers dictating the content within the actual stream.

The Company is using this productised capability to generate a sales pipeline in other basketball and sports leagues both via our partners and directly. The NBL is incentivised to introduce Linus to other basketball leagues around the world. The development of the Linus technology as a productised sports solution and its live deployment provides the basis for rapid deployment into new sports leagues, potentially within as little as two weeks from a decision to deploy.

Additional paths to market

News.

Grafa soft-launched to the market in December, triggering new recurring revenues for Linus. Linus will continue to support Grafa as it develops deeper functionality across their app including the personalisation of video ahead of its hard launch.

Security and Defence.

Linus continues to support programs with a European Intelligence Agency. Whilst a long-term project, utilising minimal resources, Linus believes the LVS technology adds significant capability enhancement and value to a potentially very large marketplace.

Blockchain – BVS

Linus remains excited about the prospects of combining its patented technology with block chain, to provide a B2C or a B2B2C solution for content creators spanning the gamut of pro-streamers to traditional studios. While this remains in a research and development phase, activity in the broader market continues to demonstrate the need for such a solution. The billions of dollars lost to investors in Quibi could conceivably have been saved by the use of a platform such as is envisioned for BVS.⁵ Similarly, the aggressive overhauls that companies like NBC Universal are being forced to make in order to remain competitive with their own platforms are indicative of the need for a common solution.⁶ While still in early stages, the company remains bullish over the prospects for BVS.

<https://www.businessofapps.com/data/microsoft-teams-statistics/>

⁵ Source: Variety: *Quibi Is Officially Dead* (1 December 2020)
<https://variety.com/2020/digital/news/quibi-officially-shuts-down-1234842926/>

⁶ Source: Television Business International: *NBCU's Mark Lazarus says 'aggressive' overhaul will strengthen creative firepower* (20 January 2021)
<https://tbivision.com/2021/01/20/nbcus-mark-lazarus-says-aggressive-overhaul-will-strengthen-creative-firepower/>

Pricing

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

Pricing bundles have been produced in line with the new product launches, providing clients with simple to consume per user based pricing packages.

Linius' pricing begins at US\$0.0022 per minute of personalized TV viewed, with additional charges for other Linius software and services offered.

Whizzard bundles start at US\$4 per user per month.

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.

Going concern

For the half year ended 31 December 2020, the Group had an operating net loss after providing for income tax of \$2,676,491 (31 December 2019 loss: \$4,736,957) and net cash outflows from operating activities of \$2,041,512 (2019: \$4,340,563). The consolidated entity had net assets of \$6,763,452 at 31 December 2020 (30 June 2020: \$4,384,019) and cash on hand of \$4,544,239 (30 June 2020: \$1,597,029).

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 2020 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 18.

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

On behalf of the directors



Gerard Bongiorno
Executive Chairman

26 February 2021
Melbourne

Linus Technologies Limited

Contents

31 December 2020

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General information

The financial statements cover Linus Technologies Limited as a consolidated entity consisting of Linus 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 Linus Technologies Limited's functional and presentation currency.

Linus 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 26 February 2021.

Linus Technologies Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

	Note	Consolidated	
		December 2020	December 2019
		\$	\$
Revenue			
Revenue		56,568	24,000
Interest received		-	4,643
Expenses			
Administrative expenses		(201,592)	(272,480)
Amortisation expenses		(270,000)	(270,000)
Depreciation expenses		(12,104)	(8,304)
Employee expenses		(958,254)	(758,012)
Consultant expenses		(242,059)	(518,878)
Impairment expense on trade receivables		(14,533)	-
Director remuneration expenses (excluding share based payments)		(142,211)	(234,035)
Share based payments expenses		(63,749)	(62,520)
Financial and compliance expenses		(98,597)	(114,823)
Marketing and promotional expenses		(56,968)	(378,637)
Software development expenses		(627,207)	(1,821,079)
Patent expenses		(16,375)	(27,796)
Legal expenses		(29,410)	(57,997)
Travel and accommodation expenses		-	(241,039)
Loss before income tax		(2,676,491)	(4,736,957)
Income tax (expense) credit		-	-
Loss after income tax expense for the year attributable to owners of the parent		(2,676,491)	(4,736,957)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to owners of the parent		(2,676,491)	(4,736,957)
Loss per share for loss attributable to the owners of the parent		Cents	Cents
Basic and diluted loss per share		(0.19)	(0.43)
Weighted average number of shares used in determining basic loss per share		1,409,836,532	1,103,350,988

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 2020

	Consolidated	
Note	December	June
	2020	2020
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	4,544,239	1,597,029
Trade and other receivables	50,525	125,411
Total current assets	<u>4,594,764</u>	<u>1,722,440</u>
Non-current assets		
Intellectual property	4	2,655,000
Property, plant and equipment	36,507	45,158
Total non-current assets	<u>2,691,507</u>	<u>2,970,158</u>
Total assets	<u>7,286,271</u>	<u>4,692,598</u>
Liabilities		
Current liabilities		
Trade and other payables	437,103	254,772
Employee provisions	85,716	53,807
Total current liabilities	<u>522,819</u>	<u>308,579</u>
Total liabilities	<u>522,819</u>	<u>308,579</u>
Net assets	<u>6,763,452</u>	<u>4,384,019</u>
Equity		
Issued capital	43,836,165	38,908,990
Reserves	5,290,610	5,161,861
Accumulated losses	<u>(42,363,323)</u>	<u>(39,686,832)</u>
Total equity	<u>6,763,452</u>	<u>4,384,019</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 2020

Consolidated	Issued capital \$	Equity settled benefits reserve \$	Accumulated losses \$	Total equity \$
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>
Balance at 1 July 2020	38,908,990	5,161,861	(39,686,832)	4,384,019
Loss after income tax expense for the half year	-	-	(2,676,491)	(2,676,491)
Total comprehensive loss for the half year	-	-	(2,676,491)	(2,676,491)
<i>Transactions with owners in their capacity as owners:</i>				
Shares and options issued during the year (net of capital raising costs)	4,927,175	-	-	4,927,175
Share based payments	-	128,749	-	128,749
Total transactions with owners of the Company	4,927,175	128,749	-	5,055,924
Balance at 31 December 2020	<u>43,836,165</u>	<u>5,290,610</u>	<u>(42,363,323)</u>	<u>6,763,452</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 2020

	Consolidated	
	December	December
Note	2020	2019
	\$	\$
Cash flows from operating activities		
Receipts from customers	61,537	19,200
Payments to suppliers	(2,103,049)	(4,364,166)
Interest received	-	4,403
Net cash used in operating activities	<u>(2,041,512)</u>	<u>(4,340,563)</u>
Cash flows from investing activities		
Payments for property plant & equipment	(3,453)	(23,669)
Net cash used in investing activities	<u>(3,453)</u>	<u>(23,669)</u>
Cash flows from financing activities		
Proceeds from issue of shares	5,250,000	5,504,433
Capital raising costs paid	(257,825)	(256,632)
Net cash from financing activities	<u>4,992,175</u>	<u>5,247,801</u>
Net increase in cash and cash equivalents	2,947,210	883,569
Cash and cash equivalents at the beginning of the half year	<u>1,597,029</u>	<u>2,298,200</u>
Cash and cash equivalents at the end of the half year	<u><u>4,544,239</u></u>	<u><u>3,181,769</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 2020

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 2020 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 2020.

These interim financial statements were authorised for issue by the Company's Board of Directors on 26 February 2021.

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 2020, 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

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 2020. A number of new standards are effective from 1 July 2020 but they do not have a material effect on the Group's financial statements.

Going concern

For the half year ended 31 December 2020, the Group incurred an operating net loss of \$2,676,491 (2019: \$4,736,957) and net cash outflows from operating activities of \$2,041,512 (2019: \$4,340,563).

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 2021 until 30 June 2022 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 2020

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
	2020	2020
	\$	\$
Intellectual property at cost	5,400,000	5,400,000
Accumulated amortisation	<u>(2,745,000)</u>	<u>(2,475,000)</u>
	<u>2,655,000</u>	<u>2,925,000</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 2020

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 2020 consist principally of cash of \$4,544,239 and intellectual property, after amortisation, of \$2,655,000. Net assets are \$6,763,452.

Linius shares closed at a price of 4.9 cents per share on 31 December 2020. Total fully paid ordinary shares on issue at 31 December 2020 are 1,511,628,068. This gives a market capitalisation of Linius of \$74.07 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 31 December 2020 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 2022 year and at set step up percentages from 2023 – 2025. Expenses are set based on the 2021 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 2020 Shares	June 2020 Shares	December 2020 \$	June 2020 \$
Ordinary shares - fully paid	<u>1,511,628,068</u>	<u>1,310,329,369</u>	<u>43,836,165</u>	<u>38,908,990</u>

Movements in ordinary share capital

Details	Date	No. of shares Legal Parent
Legal parent		
Balance as at 30 June 2020		1,310,329,369
Issue of shares through private placement (Directors)	September 2020	22,727,270
Issue of shares through private placement*	October 2020	171,071,429
Issue of shares through private placement (Directors)	December 2020	7,500,000
Balance as at 31 December 2020		<u>1,511,628,068</u>

Linius Technologies Limited
Notes to the consolidated financial statements
31 December 2020

Note 5. Equity - issued capital (continued)

Movements in ordinary share capital (continued)

Details	Date	\$
Consolidated entity		
Balance as at 30 June 2020		38,908,990
Issue of shares through private placement (Directors)	September 2020	250,000
Issue of shares through private placement*	October 2020	4,467,175
issue of shares through private placement (Directors)	December 2020	210,000
Balance as at 31 December 2020		<u>43,836,165</u>

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

*Net of \$322,825 of share-based payment transaction costs and other transaction costs.

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 \$63,749 (\$62,520 for prior comparative period). This was in respect of the vesting charge attributed to options and equity settled share based payments for the six-month period.

6,000,000 ordinary shares have been agreed to be issued to John Wallace (Director) which is subject to shareholders' approval in 2021.

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 2020.

Note 7. Tax expense

The consolidated entity's effective tax rate in respect of its continuing operations for the six months ended 31 December 2020 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 2020 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 2020

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 14, 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 2020 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

26 February 2021
Melbourne



Independent Auditor's Review Report

To the shareholders of Linus Technologies Limited

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Linus 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 Linus Technologies Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2020 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 2020
- 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 Linus 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 2020.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.



Material uncertainty related to going concern

We draw attention to Note 1, "Going Concern" in the Half-year Financial Report. The events or 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.

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities 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. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 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*.

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.

KPMG

Tony Batsakis
Partner

Melbourne

26 February 2021

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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 2020 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

26 February 2021

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