



OtherLevels Holdings Limited

ACN 603 987 266

Interim Consolidated Financial Statements

For the half-year ended 31 December 2017

OtherLevels Holdings Limited ACN 603 987 266
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For the half-year ended 31 December 2017

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These interim consolidated financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the Group's last annual consolidated financial statements for the year ended 30 June 2017 and any public announcements made by OtherLevels Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

OtherLevels Holdings Limited ACN 603 987 266

Directors' Report

The directors of OtherLevels Holdings Limited ("OtherLevels" or "the Company") present their report on the consolidated entity (the "Group") consisting of OtherLevels Holdings Limited and the entities it controlled, for the half-year ended 31 December 2017.

Directors

The names of the directors of the Company during the half-year are:

Brian Mitchell (Chairman)
Brendan O'Kane (Managing Director)
Tanya Cox
Ian Lowles

Principal activities

During the period the principal activity of the Group was the conduct of a digital marketing Software-as-a-Service (SaaS) business to enable leading enterprises to communicate with their users on mobile and smart devices. The Group also provides training, implementation, report customisation and other enterprise services to its customers.

Dividends

No dividends were paid to members during the period. Since the end of the period, no dividend has been declared or paid.

Review of operations and financial results

OtherLevels is a second generation digital marketing platform offered as a cloud based Software-as-a-Service solution.

The core product includes technologies which enable messages to be sent across a range of channels, and provide analytics data so that marketers and brands can improve the effectiveness of their digital marketing.

OtherLevels leverages the way in which smart devices provide informed feedback on a user's behaviour. This data significantly enhances the marketing conversations that OtherLevels' customers are able to have with their users.

Access to OtherLevels' platform is sold as a licence, with fees based on number of messages tracked, level of automation and ancillary services. OtherLevels continues to experience strong growth and demand in the UK, including a strong pipeline, as well as success in the publishing and wagering sectors. The UK has an experienced sales team in place, with significant expertise in enterprise SaaS sales. OtherLevels also maintains a presence in North America with a number of significant customers and will also focus on expanding its Australian operations in 2018. Licences comprised 68% of total revenue for the period.

OtherLevels also provides supplementary and value-added services including training, implementation and report customisation services to support its core software offering. Professional and managed service activities continue to grow, reflecting increased awareness from customers that OtherLevels has deep expertise in the creation and deployment of strategic messaging campaigns. This in turn supports the adoption of the OtherLevels digital marketing platform. Services comprised 32% of total revenue for the period.

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Directors' Report

Review of operations and financial results (continued)

The Company has experienced a high percentage of contract renewals and extension. During the half-year ended 31 December 2017, the Group recognised revenue of \$2,386,509 (\$1,578,841 to December 2016) and a net loss after income tax expense of \$1,490,131 (\$3,512,726 to December 2016). As at 31 December 2017, OtherLevels had cash on hand of \$762,014.

The first half of FY18 saw record receipts from customers with A\$2.7m (\$1.6m to December 2016) for the six-month period, along with the receipt of the R&D tax concession for FY2017 of A\$733k. This alongside with the successful execution and maintenance of cost reduction strategies, saw the Company achieve its goal of positive operational cashflow in Q2, FY18.

Operating and investing cash expenses were \$4.1m for the period, a decrease of \$1.1m from the prior corresponding period. Net operating and investing cashflow improved to (\$0.6m) compared to (\$2.75m) for the period ended 31 Dec 2016.

In addition, there was a continued increase in sales activity, with 8 new deals and a growing pipeline of 2018 opportunities in the last 4 months of the half-year period. Pleasingly the average value of each new deal was A\$108K, which reflects a trend of fewer, but higher value engagements.

Furthermore, there was continued new product adoption from a number of large clients, which will convert into higher renewals in 2018. OtherLevels continued its focus on real-time messaging, which ensures that message recipients receive messages at the most engaging moment. Examples include "abandoned cart" messages from e-commerce sites, location based messages triggered by geographical proximity, wagering message offers during a game, and alerts for hotel inventory, or flight prices. OtherLevels continues to expand its product offering to support real-time messaging, and this includes OtherLevels Intelligent Messaging, Location Messaging and Event Messaging. OtherLevels has recently announced further capabilities in this area for the wagering sector, in the form of In-Play Messaging.

The OtherLevels strategy of being a leading enterprise marketing automation platform with deep, high value, long-term relationships with its clients remains unchanged. The Company remains focused on taking advantage of the continued shift in enterprise marketing spend to digital channels.

Significant changes in the state of affairs

Other than what has been stated above, there have been no further significant changes in the state of affairs of the Company for the half-year ended 31 December 2017.

Matters subsequent to the end of the period

Other than the points detailed above no other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

OtherLevels Holdings Limited ACN 603 987 266
Directors' Report

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 of this financial report and forms part of this Directors' Report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Brian Mitchell
Chairman



Brendan O'Kane
Managing Director

Brisbane, 22 February 2018

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF OTHERLEVELS HOLDINGS LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2017, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

PKF HACKETTS
PKF HACKETTS AUDIT



LIAM MURPHY
PARTNER

BRISBANE
DATE: 22 FEBRUARY 2018

OtherLevels Holdings Limited ACN 603 987 266
Interim consolidated income statement
For the half-year ended 31 December 2017

		Consolidated	
		Half-year ended	
		31 December 2017	31 December 2016
	Note	\$	\$
Revenue – License		1,621,803	1,020,677
Revenue – Professional Services		601,206	482,412
Revenue – Managed Services		163,500	75,752
Total Revenue		2,386,509	1,578,841
Payroll expenses		(1,878,923)	(2,200,366)
Development costs		(491,161)	(759,206)
Occupancy expenses		(159,464)	(198,412)
Business expenses		(194,165)	(305,017)
Marketing expenses		(145,131)	(127,443)
Depreciation and amortisation		(685,007)	(497,750)
Other expenses		(164,423)	(972,893)
		(3,718,274)	(5,061,087)
Loss before interest & tax		(1,331,765)	(3,482,246)
Interest income		2,168	4,270
Interest expense		(160,534)	(8,088)
Net interest income / (expense)		(158,366)	(3,818)
Income tax benefit		-	(26,662)
Loss for the period from continuing operations		(1,490,131)	(3,512,726)
Loss for the period		(1,490,131)	(3,512,726)
Loss for the period attributable to:			
Equity holders of OtherLevels Holdings Limited		(1,490,131)	(3,512,726)
		Cents	Cents
Earnings (loss) per share attributable to the ordinary equity holders of the Company:			
Basic earnings (loss) per share	10	(0.66)	(1.66)
Diluted earnings (loss) per share	10	(0.66)	(1.66)

The accompanying notes form part of these interim consolidated financial statements.

OtherLevels Holdings Limited ACN 603 987 266
Interim consolidated statement of comprehensive income
For the half year ended 31 December 2017

	Consolidated	
	Half-year ended	
	31 December 2017	31 December 2016
	\$	\$
Loss for the period	(1,490,131)	(3,512,726)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	(139,852)	328,147
Other comprehensive income for the period, net of income tax	(139,852)	328,147
Total comprehensive income for the period	(1,629,983)	(3,184,579)
Total comprehensive income for the period is attributable to:		
Equity holders of OtherLevels Holdings Limited	(1,629,983)	(3,184,579)

The accompanying notes form part of these interim consolidated financial statements.

OtherLevels Holdings Limited ACN 603 987 266
Interim consolidated balance sheet
As at 31 December 2017

	Note	Consolidated	
		31 December 2017	30 June 2017
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		762,014	385,497
Trade and other receivables		249,373	124,617
Grant receivable		-	732,970
Other assets		67,197	77,811
Total current assets		1,078,584	1,320,895
Non-current assets			
Other assets		103,833	103,391
Plant and equipment		29,275	33,800
Intangibles		3,032,211	2,965,909
Total non-current assets		3,165,319	3,103,100
Total assets		4,243,903	4,423,995
LIABILITIES			
Current liabilities			
Trade and other payables		1,070,964	1,056,481
Loans and borrowings	7	308,121	35,047
Deferred revenue	8	2,070,705	1,742,547
Provisions		192,065	222,786
Total current liabilities		3,641,855	3,056,861
Non-current liabilities			
Provisions		12,989	7,006
Loans and borrowings		1,936,416	1,112,454
Total non-current liabilities		1,949,405	1,119,460
Total liabilities		5,591,260	4,176,321
NET ASSETS		(1,347,357)	247,674
EQUITY			
Contributed equity	9	12,293,828	12,293,828
Reserves		7,840,325	7,984,645
Accumulated losses		(21,481,510)	(20,030,799)
TOTAL EQUITY		(1,347,357)	247,674

The accompanying notes form part of these interim consolidated financial statements.

OtherLevels Holdings Limited ACN 603 987 266
Interim consolidated statement of changes in equity
For the half-year ended 31 December 2017

	Attributable to owners of OtherLevels Holdings Limited			
	Contributed equity \$	Reserves \$	Accumulated losses \$	Total \$
Balance at 1 July 2016	11,298,437	7,951,607	(15,688,695)	3,561,349
Loss for the period	-	-	(3,512,726)	(3,512,726)
Other comprehensive income	-	328,147	-	328,147
Total comprehensive income for the period	-	328,147	(3,512,726)	(3,184,579)
Transactions with owners in their capacity as owners:				
Contributions of equity net of transaction costs	1,024,859	-	-	1,024,859
Exercise/lapse of options	-	(132,351)	132,351	-
Employee share options – value of employee services	-	83,533	-	83,533
Balance at 31 December 2016	12,323,296	8,230,936	(19,069,070)	1,485,162
Balance at 1 July 2017	12,293,828	7,984,645	(20,030,799)	247,674
Loss for the period	-	-	(1,490,131)	(1,490,131)
Other comprehensive income	-	(139,852)	-	(139,852)
Total comprehensive income for the period	-	(139,852)	(1,490,131)	(1,629,983)
Transactions with owners in their capacity as owners:				
Contributions of equity net of transaction costs	-	-	-	-
Exercise/lapse of options	-	(39,420)	39,420	-
Employee share options – value of employee services	-	34,952	-	34,952
Balance at 31 December 2017	12,293,828	7,840,325	(21,481,510)	(1,347,357)

The accompanying notes form part of these interim consolidated financial statements.

OtherLevels Holdings Limited ACN 603 987 266
Interim consolidated statement of cash flows
For the half-year ended 31 December 2017

	Consolidated	
	Half-year ended	
	31 December 2017	31 December 2016
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	2,686,199	1,621,449
Payments to suppliers and employees (inclusive GST)	(3,040,000)	(4,446,300)
Interest received	2,392	4,270
Interest paid	(80,511)	-
R&D tax concession received	732,969	799,270
Net cash inflow (outflow) from operating activities	301,049	(2,021,311)
Cash flows from investing activities		
Payments for plant and equipment	(7,137)	(4,596)
Payments for software development costs	(929,867)	(728,210)
Net cash inflow (outflow) from investing activities	(937,004)	(732,806)
Cash flows from financing activities		
Proceeds from issue of shares	-	1,100,000
Director loans	-	450,000
Shareholder loans	100,000	(159,621)
Syndicate loans	1,000,000	-
Transaction costs related to loans and borrowings	(88,141)	-
Net cash inflow (outflow) from financing activities	1,011,859	1,390,379
Net increase (decrease) in cash and cash equivalents	375,904	(1,363,738)
Cash and cash equivalents at the beginning of the period	385,497	2,317,584
Effects of exchange rate changes on balance of cash held in foreign currencies	613	(80)
Cash and cash equivalents at the end of the period	762,014	953,766

The accompanying notes form part of these interim consolidated financial statements.

OtherLevels Holdings Limited ACN 603 987 266
Notes to the Interim Consolidated Financial Statements
For the half-year ended 31 December 2017

1 Corporate Information

OtherLevels Holding Limited (the “Company”) is a company incorporated and domiciled in Australia. The address of the Company’s registered office is Level 11, 66 Eagle Street, Brisbane, and QLD 4000. The principal accounting policies adopted in the preparation of these interim consolidated financial statements are set out below.

The nature of the operations and principal activities of the Group are described in the Directors’ Report.

2 Statement of compliance and basis of preparation

The interim consolidated financial statements (‘the interim financial statements’) of the Group for the six (6) months ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the ‘Group’) and are presented in Australian Dollars (AUD), which is the functional currency of the Parent Company.

These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 Interim Financial Reporting ensures compliance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*. The consolidated financial statements do not include all of the information required in annual financial statements and should be read in conjunction with the last annual consolidated financial statements of the Group for the year ended 30 June 2017 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

These interim financial statements have been prepared on an accruals basis and are based on historical cost, as modified where applicable by the measurement at fair value of derivatives.

These interim financial statements have been approved and authorised for issue by the Board of Directors on 22 February 2018.

3 Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group’s last annual financial statements for the year ended 30 June 2017. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

4 Use of Judgements and Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group’s last annual financial statements for the year ended 30 June 2017.

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5 Segment information and reporting

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Board considers that the business has one reportable segment, being the provision of digital marketing services. Therefore, all segment assets and liabilities, and the segment result, relate to one business segment and consequently no detailed segment analysis has been prepared.

6 Going concern

Notwithstanding that the Group incurred an operating loss after tax of \$1,490,131 for the six-month period to 31 December 2017 and had a deficiency in net current assets of \$2,563,271 as at 31 December, these financial statements have been prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Current liabilities as at 31 December 2017 includes \$2,070,705 of deferred revenue which is not required to be cash settled in the future, but rather settled through the provision of licences and other services over time.

The ability of the consolidated entity to continue as a going concern is dependent upon one or more of the following:

- Achieving sufficient future cash flows from operations to enable its obligations to be met;
- Achieving a cash positive position for the consolidated entity, and
- Obtaining additional funding from capital raising (both debt and equity) activities as and when required.

The Company has a loan facility of \$2,150,000 in place from a syndicate of sophisticated and professional investors led by the Chairman and the Managing Director (Brian Mitchell and Brendan O’Kane). As at 31 December 2017, \$300,000 remains available to be drawn down.

At the date of this report and having considered the above factors, the directors are confident of achieving the above and that the consolidated entity will be able to continue as going concern.

Notwithstanding this, given the past losses, there is material uncertainty whether the consolidated entity will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

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Notes to the Interim Consolidated Financial Statements
For the half-year ended 31 December 2017

7 Loans and borrowings

	Consolidated	
	31 December 2017	30 June 2017
	\$	\$
Current		
Loans – Other	-	35,047
Loans – Shareholder	308,121	-
	308,121	35,047
Non-current		
Loans – Shareholder	-	209,188
Syndicate Loan facility - Directors ¹	1,122,856	553,266
Syndicate Loan facility - Other ^{1,2}	850,000	350,000
Capitalised transaction costs ³	(36,440)	-
	1,936,416	1,112,454

¹ As announced to the market on 4 July 2017, this represents monies advanced by a syndicate of sophisticated and professional investors including Directors. Refer to Note 14 for further details.

² The loans accrue interest at 16% per annum, paid monthly in advance.

³ Incremental costs directly attributable to the acquisition of the syndicated loan facility are being amortised over the term of the facility.

8 Deferred revenue

Current liabilities as at 31 December 2017 includes \$2,070,705 of deferred revenue which is not required to be cash settled in the future, but rather settled through the provision of licences and other services over time.

9 Contributed equity

(a) Share capital

	31 December 2017	31 December 2017	30 June 2017	30 June 2017
	Shares	\$	Shares	\$
<i>Ordinary shares</i>				
Fully paid	224,661,600	12,293,828	224,661,600	12,293,828
Total contributed equity		12,293,828		12,293,828

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Notes to the Interim Consolidated Financial Statements
For the half-year ended 31 December 2017

(b) Movements in ordinary share capital

Issues of ordinary shares during the period:

Date	Details	Number of shares	\$
1 July 2017	Opening balance	224,661,600	12,293,828
31 December 2017	Closing balance	224,661,600	12,293,828

10 Earnings (loss) per share

Both the basic and diluted earnings (loss) per share have been calculated using the loss attributable to shareholders of the Parent Company (OtherLevels Holdings Limited) as the numerator.

Weighted average number of shares used as the denominator

	Six (6) months to 31 December 2017 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings (loss) per share	224,661,600

There was no difference in the weighted average number of shares used for the calculation of basic and dilutive loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive.

11 Events occurring after the reporting period

There were no significant transactions or events that occurred after the end of the reporting period.

12 Contingent liabilities and assets

At the date of signing this report, the Group is not aware of any contingent liabilities or assets that should be disclosed in accordance with AASB 137.

13 Commitments

At the reporting date, the total future minimum lease payments payable by the Group under non-cancellable operating leases in respect of properties is as follows:

	31 December 2017	31 December 2016
		\$
Within one year	180,852	173,010
Within two to five years	73,031	214,153
Total	253,883	387,163

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14 Related Party Disclosures

During the six-months ended 31 December 2017, Mr Brian Mitchell and Mr Brendan O’Kane, directors of the Company, advanced \$500,000 by way of a loan to the Group. These loans are part of the total syndicate loan facility of \$2,150,000 and are on an arms’ length basis, with an interest rate of 16%. This loan includes \$500,000 advanced in the prior financial year with an interest rate of 12%. The loans remain outstanding and are accruing interest. Accrued interest and charges as at 31 December 2017 amount to \$122,856.

As at 31 December 2017, \$300,000 of the total syndicate loan facility remains undrawn.

15 Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

OtherLevels Holdings Limited ACN 603 987 266
Directors' declaration
For the Half-year ended 31 December 2017

In the opinion of the Directors of OtherLevels Holdings Limited:

- (a) The consolidated financial statements and notes set out on pages 5 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, and
- (b) with regards to Note 6 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

This declaration is made in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Brian Mitchell
Chairman



Brendan O'Kane
Managing Director

Brisbane, 22 February 2018

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF OTHERLEVELS HOLDINGS LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of OtherLevels Holdings Limited ("the Company"), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the half-year's end or from time to time during the financial half-year.

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 OtherLevels Holdings Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter – Going Concern

Without qualification to the review conclusion expressed above, we draw attention to Note 6 of the financial statements in relation to going concern, there is material uncertainty that may cast significant doubt as to whether the consolidated entity will be able to continue normal business operations and therefore whether the consolidated entity will realise its assets and extinguish its liabilities in the normal course of business and at the amounts recorded in the financial report.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. In accordance with the *Corporations Act 2001*, we have given the directors' of the company a written Auditor's Independence Declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of OtherLevels Holdings Limited and its controlled entities, 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.

PKF HACKETTS

PKF HACKETTS AUDIT



LIAM MURPHY
PARTNER

BRISBANE

DATE: 22 FEBRUARY 2018