



OtherLevels Holdings Limited

ACN 603 987 266

Interim Consolidated Financial Statements

For the half-year ended 31 December 2016

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For the half-year ended 31 December 2016

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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 2016 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*.

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 2016.

Directors

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

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

Mr Baxter resigned from the Board, effective 31 December 2016.

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 message types, across a range of platforms, to provide data which is useful for analysis and tools to analyse and action results of that data.

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 pricing 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 recent success in the publishing and wagering sectors. The UK now has an experienced sales team in place, bringing significant expertise in enterprise SaaS sales. OtherLevels will also be focusing on expanding its Australian operation in 2017 and pursuing North American sales via strategic partners. Licences comprised 65% 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 services activities continue to grow, reflecting increased awareness from customers that OtherLevels is building deep expertise in the creation and deployment of strategic messaging campaigns, which support the deployment of the OtherLevels digital marketing platform. Services comprised 35% of total revenue for the period.

OtherLevels Holdings Limited ACN 603 987 266

Directors' Report

Review of operations and financial results (continued)

The Company has experienced a high percentage of contract renewals and extensions, for reasons including the integration of the OtherLevels platform into its customers' applications and marketing practices. During the half-year ended 31 December 2016, the Group recognised revenue of \$1,700,811 (\$1,678,409 to December 2015) and a net loss after income tax expense of \$3,512,726 (\$3,626,522 to December 2015). As at 31 December 2016, the Group had net assets of \$1,485,162 and cash on hand of \$953,766.

The first half of FY17 saw strong receipts from customers with A\$1.6m received for the six-month period, along with the R&D tax concession for FY2016 of A\$0.8m. In addition, there was a continued increase in sales activity, with 4 new deals and a growing pipeline of 2017 opportunities in the last 4 months of the half-year period. Furthermore, there was strong growth in message volumes and new product adoption from a number of large clients, which will convert into higher renewals early in 2017, along with purchase by 2 clients of the new Action Engine real-time messaging option.

Operating and investing cash expenses decreased in comparison to the prior corresponding period, and more relevantly Q2 operating and investing cash expenses were A\$1.2m less than Q1, which underscores the successful execution and maintenance of cost reduction strategies, in support of the goal of achieving positive operating cash in the second half of 2017 calendar year. On an annualised basis, Q2 cash expenses represent a 25% reduction compared to FY2016. The recognition of OtherLevels by Forrester Research of the Company's global standing as one of the 25 leading marketing automation platforms is the second consecutive year this has been achieved.

The OtherLevels strategy to provide the leading enterprise marketing automation platform remains unchanged, with the launch of OtherLevels 2 and Action Engine. The Company remains focused on taking advantage of the continued shift in enterprise marketing spend to mobile, and the growth of mobile devices.

The Directors completed a capital raising of A\$1.1 million (representing 13,750,000 ordinary shares at \$0.08 per share) in December 2016 under the terms of the Subscription Agreement to raise A\$1.6 million that was entered into on 22 June 2016. In addition, the company has issued an option for the balance of \$500,000 which is capable of exercise within six months at \$0.08, or, if the company raises funds at a lesser price during the period, the price of that capital raising.

Due to the delay of these funds, the loan facility of up to \$0.8m from Mr Brian Mitchell and Mr Brendan O'Kane, directors of OtherLevels, will remain in place until the balance of the funding is complete. The Directors intend to complete the previously announced capital raising via a convertible note by 31 March 2017.

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 2016.

Matters subsequent to the end of the period

Other than the points detailed above no other matter or circumstance has arisen since 31 December 2016 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

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, 27 February 2017

**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 2016, 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.

PKF HACKETTS
PKF HACKETTS AUDIT



Liam Murphy
Partner

Brisbane, 27 February 2017

OtherLevels Holdings Limited ACN 603 987 266
Interim consolidated income statement
For the half-year ended 31 December 2016

| | | Consolidated | |
|--|-------------|------------------------|--------------------|
| | | Half-year ended | |
| | | 31 December | 31 December |
| | | 2016 | 2015 |
| | Note | \$ | \$ |
| Continuing operations | | | |
| Revenue | | 1,700,811 | 1,678,409 |
| Selling expenses | | (529,640) | (757,187) |
| Employee expenses | | (2,813,356) | (3,347,804) |
| Occupancy expenses | | (226,421) | (196,673) |
| Travel expenses | | (152,292) | (235,189) |
| Depreciation and amortisation | | (497,750) | (277,816) |
| Finance costs | | (27,031) | (3,001) |
| Share listing costs | | (12,768) | (13,989) |
| Other expenses | | (927,617) | (607,908) |
| Loss before income tax | | (3,486,064) | (3,761,158) |
| Income tax refund / (expense) | | (26,662) | 134,636 |
| Loss for the period from continuing operations | | (3,512,726) | (3,626,522) |
| Loss for the period attributable to: | | | |
| Equity holders of OtherLevels Holdings Limited | | (3,512,726) | (3,626,522) |
| | | Cents | Cents |
| Earnings (loss) per share attributable to the ordinary equity holders of the Company: | | | |
| Basic earnings (loss) per share | 10 | (1.66) | (2.29) |
| Diluted earnings (loss) per share | 10 | (1.66) | (2.29) |

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 2016

| | Consolidated | |
|--|------------------------|--------------------|
| | Half-year ended | |
| | 31 December | 31 December |
| | 2016 | 2015 |
| | \$ | \$ |
| Loss for the period | (3,512,726) | (3,626,522) |
| Other comprehensive income | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | |
| Exchange differences on translation of foreign operations | 328,147 | 282,323 |
| Other comprehensive income for the period, net of income tax | 328,147 | 282,323 |
| Total comprehensive income for the period | (3,184,579) | (3,344,199) |
| Total comprehensive income for the period is attributable to: | | |
| Equity holders of OtherLevels Holdings Limited | (3,184,579) | (3,344,199) |

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 2016

| | | Consolidated | |
|--------------------------------------|-------------|---------------------|------------------|
| | | 31 December | 30 June |
| | | 2016 | 2016 |
| | Note | \$ | \$ |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 953,766 | 2,317,584 |
| Trade and other receivables | | 549,784 | 459,669 |
| Grant receivable | | - | 852,932 |
| Other assets | | 89,033 | 202,601 |
| Total current assets | | 1,592,583 | 3,805,786 |
| Non-current assets | | | |
| Other assets | | 103,434 | 128,642 |
| Plant and equipment | | 34,708 | 39,129 |
| Intangibles | | 2,756,714 | 2,411,593 |
| Total non-current assets | | 2,894,856 | 2,579,364 |
| Total assets | | 4,487,439 | 6,385,150 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 1,021,043 | 1,430,017 |
| Loans and borrowings | | 474,088 | - |
| Deferred revenue | 8 | 1,331,491 | 1,158,031 |
| Provisions | | 171,363 | 231,465 |
| Total current liabilities | | 2,997,985 | 2,819,513 |
| Non-current liabilities | | | |
| Provisions | | 4,292 | 4,288 |
| Total non-current liabilities | | 4,292 | 4,288 |
| Total liabilities | | 3,002,277 | 2,823,801 |
| NET ASSETS | | 1,485,162 | 3,561,349 |
| EQUITY | | | |
| Contributed equity | 9 | 12,323,296 | 11,298,437 |
| Reserves | | 8,230,936 | 7,951,607 |
| Accumulated losses | | (19,069,070) | (15,688,695) |
| TOTAL EQUITY | | 1,485,162 | 3,561,349 |

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 2016

| | Attributable to owners of OtherLevels Holdings Limited | | | |
|--|--|------------------|---------------------|------------------|
| | Contributed equity | Reserves | Accumulated losses | Total |
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2015 | 7,603,824 | 7,190,583 | (9,329,410) | 5,464,997 |
| Loss for the period | - | - | (3,626,522) | (3,626,522) |
| Other comprehensive income | - | 282,323 | - | 282,323 |
| Total comprehensive income for the period | - | 282,323 | (3,626,522) | (3,344,199) |
| Transactions with owners in their capacity as owners: | | | | |
| Contributions of equity net of transaction costs | - | - | - | - |
| Exercise/lapse of options | 2,010 | - | - | 2,010 |
| Employee share options – value of employee services | - | 29,722 | - | 29,722 |
| Balance at 31 December 2015 | 7,605,834 | 7,502,628 | (12,955,932) | 2,152,530 |
| 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 |

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 2016

| | Consolidated | |
|--|------------------------|--------------------|
| | Half-year ended | |
| | 31 December | 31 December |
| | 2016 | 2015 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of GST) | 1,621,449 | 2,132,982 |
| Payments to suppliers and employees (inclusive GST) | (4,446,300) | (4,670,055) |
| Interest received | 4,270 | 31,318 |
| R&D tax concession received | 799,270 | - |
| Net cash inflow (outflow) from operating activities | (2,021,311) | (2,505,755) |
| Cash flows from investing activities | | |
| Payments for plant and equipment | (4,596) | (23,448) |
| Payments for software development costs | (728,210) | (738,470) |
| Net cash inflow (outflow) from investing activities | (732,806) | (761,918) |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 1,100,000 | 2,010 |
| Director loans | 450,000 | - |
| Transaction costs related to loans and borrowings | (159,621) | - |
| Net cash inflow (outflow) from financing activities | 1,390,379 | 2,010 |
| Net increase (decrease) in cash and cash equivalents | (1,363,738) | (3,265,663) |
| Cash and cash equivalents at the beginning of the period | 2,317,584 | 4,996,938 |
| Effects of exchange rate changes on balance of cash held in foreign currencies | (80) | 93,992 |
| Cash and cash equivalents at the end of the period | 953,766 | 1,825,267 |

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 2016

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 2016 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 34 *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 2016 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 27 February 2017.

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 2016. 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 2016.

OtherLevels Holdings Limited ACN 603 987 266
Notes to the Interim Consolidated Financial Statements
For the half-year ended 31 December 2016

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.

One customer represents 25% of Group revenue for the period.

6 Going concern

Notwithstanding that the Group incurred an operating loss after tax of \$3,512,726 for the six month period to 31 December 2016 and at 31 December had a deficiency net current assets of \$1,405,402, 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.

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

- Current liabilities as at 31 December 2016 includes \$1,331,491 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;
- Achieve sufficient future cash flows from operations to enable its obligations to be met;
- the success of cost saving initiatives and return to profitability and cash positive position for the consolidated entity, and
- obtaining additional funding from capital raising activities and from the directors.

The directors intend to complete the previously announced capital raising via a convertible note by 31 March 2017. In addition, the directors have provided a loan facility of \$800k (of which \$350k remains available) from Mr Brian Mitchell and Mr Brendan O’Kane, Directors of the company.

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, the difficulty in forecasting cash flows for the consolidated entity and the other matters described above there is material uncertainty whether the consolidated entity will continue as going concerns 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 going concerns.

OtherLevels Holdings Limited ACN 603 987 266
Notes to the Interim Consolidated Financial Statements
For the half-year ended 31 December 2016

7 Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'
- AASB 2014-9 'Amendments to Australia Accounting Standards – Equity Method in Separate Financial Statements'
- AASB 2015-1 'Amendments to Australia Accounting Standards – Annual Improvements to Australia Accounting Standards 2012-2014 Cycle'
- AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'

The Group has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

8 Deferred revenue

Current liabilities as at 31 December 2016 includes \$1,331,491 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 2016 Shares | 31 December 2016 \$ | 30 June 2016 Shares | 30 June 2016 \$ |
|---------------------------------|--|------------------------------------|--------------------------------|----------------------------|
| <i>Ordinary shares</i> | | | | |
| Fully paid | 224,661,600 | 12,323,296 | 210,911,600 | 11,298,437 |
| Total contributed equity | | 12,323,296 | | 11,298,437 |

(b) Movements in ordinary share capital

Issues of ordinary shares during the period:

| Date | Details | Number of shares | \$ |
|-------------------------|--|-----------------------------|-------------------|
| 1 July 2016 | Opening balance | 210,911,600 | 11,298,437 |
| 21 December 2016 | Shares issued | 13,750,000 | 1,100,000 |
| 21 December 2016 | Transaction costs arising on share issue | - | (75,141) |
| 31 December 2016 | Closing balance | 224,661,600 | 12,323,296 |

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 2016 Number |
|---|--|
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings (loss) per share | <u>211,666,084</u> |

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

In order to achieve the Group's strategic objectives, the Directors intend to complete the previously announced capital raising via a convertible note by 31 March 2017. There were no other 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 2016 | 31 December 2015 |
|--------------------------|-----------------------------|-----------------------------|
| | | \$ |
| Within one year | 173,010 | 133,467 |
| Within two to five years | 214,153 | - |
| Total | <u>387,163</u> | <u>133,467</u> |

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Notes to the Interim Consolidated Financial Statements
For the half-year ended 31 December 2016

14 Related Party Disclosures

During the six month ended 31 December 2016, Mr Brian Mitchell and Mr Brendan O’Kane, directors of the Company, advanced \$450,000 by way of a short-term loan to the Group. These loans were on an arms’ length basis, and terms include a facility fee of 2% and interest at 12%. The loans remain outstanding and are accruing interest.

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 2016

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 2016 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, 27 February 2017

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

Report on the Half-Year Financial Report

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 2016, 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.

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 2016 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, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of 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 2016 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*.

Emphases of Matter regarding Going Concern

Without modifying our opinion 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.

PKF HACKETTS

PKF HACKETTS AUDIT



Liam Murphy
Partner

Brisbane, 27 February 2017