

# Appendix 4E

(Rule 4.3A)

## Preliminary Final Report

Name of entity

Manalto Limited	ABN 88 098 640 352
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### 1. Details of the Reporting Period and the Previous Corresponding Period

Financial period ended ("current period")	Financial period ended ("previous period")
30 June 2018	30 June 2017

### 2. Results for Announcement to the Market

					\$'000
2.1	Revenue from ordinary activities	Down	47%	to	81
2.2	Loss from ordinary activities after tax attributable to members	down	75%	To	2,258
2.3	Net loss for the period attributable to members	down	75%	to	2,258
2.4	Loss per share	down	97%	to	0.13 cents

### 3. NTA Backing

	Current period	Previous period
Net tangible asset backing per ordinary security	\$0.00029	(\$0.0112)

**Additional Appendix 4E disclosure requirements** can be found in the Annual Report which contains the Directors' Report and the 30 June 2018 Financial Statements and accompanying notes.

This report is based on the consolidated Financial Statements which have been audited by Grant Thornton.

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# Manalto Limited Annual Report 2018

MTL.ASX

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# Directors' Report

## Principal Activities

The principal activities of the Group during the financial year were development and commercialisation of its social media management tool and recapitalisation of the Company. The new Board of Manalto also completed the strategic review of the Manalto business and core product.

## Operating Results

The consolidated loss of the Group after providing for income tax amounted to \$2,257,586 (2017: loss of \$8,911,455).

## Significant Changes in State of Affairs

On 15 September 2017, the Company advised the retirement of Jim McKerlie, Paul Gardner and Michael Quinert as directors and the appointment of Dr James Ellingford, Mr Terence Clee and Mr Tim Wilson as new directors.

As the Company has transitioned the corporate function back to Australia, with the majority of management and operating cash flows to be focused here going forward, the Directors will elect to present financial information in Australian dollars from 1 July 2017.

In the opinion of the directors, there have been no other significant changes in state of affairs of the Group during the financial year, other than those disclosed elsewhere in the financial report or notes hereto.

## Review of Operations

The current Board took charge of Manalto on 15 September 2017 replacing the outgoing directors.

### CORPORATE UPDATE

#### *New Board Appointed*

On 15 September 2017, the Company advised the retirement of Jim McKerlie, Paul Gardner and Michael Quinert as directors and the appointment of Dr James Ellingford, Mr Terence Clee and Mr Tim Wilson as new directors.

#### *Capital raising*

Subsequent to 31 December 2017, Manalto completed a placement to raise \$1,060,000. This raise is in addition to the \$540,000 raised in the form of convertible loans announced 20 December 2017 bringing the total amount raised to \$1.6M.

No other significant matters have arisen between balance date and the date of this report.

#### *Product Update*

Throughout the 2018-year Manalto's IT and Development activities centered around the platforms core functionalities and building out a robust backend to ensure continued system stability for Manalto's client base.

Starting in Q2 the development team devoted significant time towards the policy changes regarding privacy matters raised within the social networking landscape to ensure ongoing platform functionality in the midst of sweeping changing being pushed down from the social networks.

As part of the privacy regulations changes, there has been significant time devoted to the evaluation, planning and implementation of API changes and updates released by the social networks.

A number of minor enhancements has been rolled out throughout the year and further enhancement and releases has been planned for 2019 as the company continues to develop its software according to best practices with the focus on delivering a relevant product to our clients and target market.

The company has its focus on the following major development areas for 2019, including progressing 2018 development areas:

- Advanced data analysis and reporting via its integration with Microsoft Power BI.
- AI (Artificial Intelligence) via IBM Watson.
- Ongoing UX evolution
- Technology refresh: Starting with Database technology
- Facebook Partner program – win entry into the Facebook program.
- Develop the capability for clients to setup and manage competitions from within the Manalto platform.
- Expand the number of social networks available within the platform.

### **Bambu Transaction**

On 15 September 2017, the Company announced that the shareholders of Bambu and the Company have reached mutual agreement not to proceed with the Company's acquisition of Bambu.

### **Financial Overview**

During the financial year ended 30 June 2018, the Group recognised revenue of \$80,640; the majority relating to the Enterprise product.

The loss from ordinary activities before income tax decreased from \$8.42m in 2017 to \$1.61m for the year ended 30 June 2018.

A number of cost saving measures have been implemented during the year including reduction of international staff head count; closure of South Africa office; and significant reduction of South Africa head count and commenced liquidation of South African subsidiary.

### **Information on Directors**

#### **Directors**

The following persons were Directors of Manalto Limited at any time during, or since the end of, the year:

- James Ellingford (*appointed 15 September 2017*)
- Terence Clee (*appointed 15 September 2017*)
- Tim Wilson (*appointed 15 September 2017*)
- James McKerlie (*appointed 28 October 2016; resigned 15 September 2017*)
- Paul Gardner (*appointed 14 November 2016; resigned 15 September 2017*)
- Michael Quinert (*resigned 15 September 2017*)
- Gary Cox (*appointed 14 November 2016; resigned 22 August 2017*)

All Directors have been in office since the start of the financial year to the date of this report, unless otherwise stated.

#### **Information on current Directors as at the date of this report**

<p><b>Terence Clee</b>  <b>Non-Executive Chairman</b>                      BCom (Accounting), LLB</p>	<p>Mr Clee started his professional career at KPMG Sydney, working in Corporate Audit and Tax. He then became a partner in a multidisciplinary legal practice alongside colleagues formerly of Allens Arthur Robinson and Ashurst. Mr Clee's client base comprised of large corporates in the mining and technology space. Mr Clee also has experience in the start-up and small cap space. He has advised technology companies and miners of all sizes on commercialisation, mergers and acquisitions, cross-border transactions and R&amp;D.</p> <p>Mr Clee holds a Bachelor of Commerce (Accounting) and a Bachelor of Laws from the University of NSW. Mr Clee is a solicitor admitted to the Supreme Court of NSW. He currently serves as a director of numerous ASX listed and unlisted companies.</p>
<p>Interest in shares &amp; options</p>	<p>Nil</p>
<p>Directorships held in other listed entities in last 3 years –</p>	<p>Elysium Resources Limited (since 18 May 2016)                      Victory Mines Limited (since 12 August 2015)                      JV Global Limited (since 9 February 2018)</p>

Length of service 12 months

**James Ellingford**  
**Executive Director**

D.Mgt, MBA, Post Grad Corp Man, AICD

Dr Ellingford previously served as International President of a multi-billion dollar NASDAQ software business Take-Two Interactive Software with its headquarters in Geneva and New York. He has decades of international experience in the software industry and has close ties with financial institutions and governments throughout the world. He is considered an expert in the areas of collaboration of media and digital assets, data sharing and corporate communications to enable workflow acceleration and has close ties with large US based corporates who dominate this space. Dr Ellingford holds a Post Graduate in Corporate Management, Master's in Business Administration and a Doctorate in Management. Dr Ellingford has lectured MBA students in Corporate Governance, ethics and marketing at a leading Sydney University which are areas he has a keen interest in.

Interest in shares & options Nil

Directorships held in other listed entities in last 3 years –  
Creso Pharma Limited (since 20 November 2015)  
Zyber Holdings Limited (9 January 2014 until 1 February 2016)  
Burrabulla Corporation Limited (18 May 2016 until 14 August 2017)  
Elysium Resources Limited (since 3 March 2017)  
Victory Mines Limited (since 8 November 2011)  
Minrex Resources Ltd (Since 3 November 2017)

Length of service 12 months

**Tim Wilson**  
**Non-executive Director**

Mr Wilson is an investment banker with over a decade of experience in the Australian financial services industry. He has advised companies across most industry sectors both domestically and internationally, including; Information Technology and Services, Biotechnology, Mining and Infrastructure. Mr Wilson's corporate experience includes listing and secondary market raises. In particular, Mr Wilson has experience in the Information Technology space with early stage investments; helping founders to build businesses, bring product to market and cater for all types and sizes of capital requirements.

Interest in shares & options Nil

Directorships held in other listed entities in last 3 years –  
Minrex Resources Limited (since 27 November 2017)

Length of service 12 months

**Company Secretary**

The following persons held the position of Company secretary at any time during, or since the end of, the year:

**Aida Tabakovic** BBus GradDipBus(Law) (Appointed 28 August 2018)

Aida is an accountant with over ten years' experience in the accounting and financial reporting of listed and unlisted companies. She has also had previous management experience in the luxury retail sector. Aida holds a Double Major Degree in Accounting and Finance and a Postgraduate Degree in Business Law. Aida assists clients with ASX and ASIC compliance, statutory reporting, company secretarial and financial accounting services. She has also been involved in the listing of a number of junior explorer companies on the ASX.

**Elizabeth Hunt** BSc, MAcc, GAICD, FGIA (appointed 15 September 2017; resigned 27 August 2018)

Elizabeth Hunt has over fifteen years' corporate and accounting experience with a particular interest in governance. Elizabeth Hunt has been involved in the IPO management, corporate advisory and company secretarial services, financial accounting and reporting and ASX and ASIC compliance management. Elizabeth Hunt holds a BSc degree in Sustainable Development and has completed a Master of Accounting, and is a Fellow of the Governance Institute of Australia, and is a Graduate of the Australian Institute of Company Directors. Elizabeth Hunt is currently also Company Secretary of a number of ASX listed entities.

**Kate Hill** as Company Secretary (appointed 1 September 2017; resigned 15 September 2017)

**Lucy Rowe** (resigned 1 September 2017)

## Corporate Governance

A review of the Company's 'Corporate Governance Framework' is performed on a periodic basis to ensure that it is relevant and effective in light of changing legal and regulatory requirements. The Board of Directors continues to adopt a set of Corporate Governance Practices and a Code of Conduct appropriate for the size, complexity and operations of the Company and its subsidiaries.

Unless otherwise stated all Policies and Charters meet the ASX Corporate Governance Council's Best Practice Recommendations.

## Dividends

No dividends were paid or declared since the start of the financial year (2017: no dividends).

## Events Subsequent to Reporting Date

On 4 July 2018, Shareholder approved all resolutions put to a general meeting, for the issue of various securities.

On 13 July 2018, the Company's securities were reinstated to official quotation on ASX.

## Future Developments

The Board are committed to growing the development team as well as the US based sales and customer support team.

## Environmental Issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

## Non-Audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important. Details of the amounts paid or payable to the auditor (Grant Thornton) for audit services provided during the year are set out below. There were no non-audit services provided during the year. The following fees were paid/payable to the external auditors during the year ended 30 June 2018:

	2018 \$	2017 \$
Amounts paid/payable to Grant Thornton Audit Pty Ltd <i>Audit and other assurance services</i>	45,000	65,550
<b>Total paid or payable</b>	<b>45,000</b>	<b>65,550</b>

## Auditors Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2018 as required by Section 307C of the Corporations Act 2001 has been received and can be found on Page 39 of the financial report.

## Meetings of Directors

During the financial year, attendances by each Director at Directors' Meetings were as follows:

	Directors' Meetings	
	Eligible to attend	Number attended
Terence Clee (appointed 15 September 2017)	8	8
James Ellingford (appointed 15 September 2017)	8	8
Tim Wilson (appointed 15 September 2017)	8	7
James McKerlie (resigned 15 September 2017)	3	3
Paul Gardner (resigned 15 September 2017)	3	3
Michael Quinert (resigned 15 September 2017)	3	3
Gary Cox (resigned 22 August 2017)	-	-

## The Audit and Risk Management Committee

Due to the number of directors on the Board, and the size of the Company, the consolidated entity did not consider it necessary to appoint an audit and risk committee for the year ended 30 June 2018.

## Remuneration Report (Audited)

The following persons were Directors and key management personnel (KMP) in office at any time during the financial year:

Director	Position
Terence Clee	Director, Non-Executive Chairman (Independent; appointed 15 September 2017)
James Ellingford	Director, Executive (appointed 15 September 2017)
Tim Wilson	Director, Non-Executive (Independent; appointed 15 September 2017)
James McKerlie	Director, Executive Chairman (resigned 15 September 2017)
Paul Gardner	Director (Independent; resigned 15 September 2017)
Michael Quinert	Director (resigned 15 September 2017)
Gary Cox	Director (Independent; resigned 22 August 2017)

## Principles Used to Determine the Nature and Amount of Remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage / alignment of executive compensation;
- Transparency; and
- Capital management.

In consultation with industry surveys on executive remuneration the Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

### Alignment to shareholders' interests:

- Has economic future profits as a core component of plan design;
- Focuses on sustained growth in shareholder wealth, consisting of the possibility of future dividends and growth in share price, and delivering a future return on assets as well as focusing the executive on key non-financial drivers of value; and
- Attracts and retains high calibre executives.

### Alignment to program participants' interests:

- Rewards capability and experience;
- Reflects competitive reward for contribution to growth in shareholder wealth;
- Provides a clear structure for earning rewards; and
- Provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives.

### Non-Executive Directors

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of the Directors. Non-executive Directors' fees and payments are reviewed regularly by the Board. The Chairman's fees are determined independently to the fees of non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. Non-executive Directors do on occasions receive share options. Non-executive Directors may opt each year to receive a percentage of their remuneration in Manalto Limited shares, which would be acquired on-market.

### Directors' Fees

The current base remuneration was last reviewed with effect from 15 September 2017 on appointment of the new directors.

Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders.

### Executive Pay

The executive pay and reward framework has four components:

- Base pay and benefits
- Short-term performance incentives



- Long-term incentives through participation in the Manalto Limited's Employee Share Option Plan (ESOP), and
- Other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

### Base Pay

Base pay is structured as a 'total employment cost' package which may be delivered as a combination of cash and prescribed non-financial benefits at the executive's discretion, subject to Group guidelines.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Industry remuneration surveys provide analysis to ensure base pay is set to reflect the market for a comparable role. Base pay for senior executives is reviewed – generally annually – to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion. There are no guaranteed base pay increases included in any senior executives' contracts.

### Details of Remuneration

Details of the remuneration of the Directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Manalto Limited and the Manalto Group are set out in the following tables. The key management personnel of Manalto Limited and the Group include the Directors as listed earlier in this Report, and the Chief Marketing Officer.

The cash bonuses are dependent on the satisfaction of performance conditions as set out in the section headed Short-Term Incentives above. All other elements of remuneration are not directly related to performance.

### Remuneration for each Director & Key Management Personnel of the Consolidated Entity During the Year

2018	Short Term Employee Benefits	Long Term Employee Benefits	Post-Employment Benefits	Termination Benefits	Equity settled share based payments		Total	Proportion of Remuneration that is Performance Based
	Salary and Fees \$	Long Service Leave \$	Superannuation Contribution \$	Cash \$	Shares \$	Options \$	\$	
<b>Directors</b>								
James McKerlie	61,594	-	-	-	-	-	61,594	-
Paul Gardner	11,666	-	-	-	15,000 <sup>1</sup>	-	26,666	-
Gary Cox	10,715	-	-	-	-	-	10,715	-
Michael Quinert	5,000	-	-	-	-	-	5,000	-
Terence Clee	-	-	-	-	-	-	-	-
James Ellingford	-	-	-	-	-	-	-	-
Tim Wilson	-	-	-	-	-	-	-	-
<b>Total Director remuneration</b>	<b>88,975</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,000</b>	<b>-</b>	<b>103,975</b>	<b>-</b>

<sup>1</sup>During the 2018 financial year, Paul Gardner was granted with 1,363,636 shares valued at \$15,000 from the conversion of notes with an exercise price of \$0.011.

### Remuneration for each Director & Key Management Personnel of the Consolidated Entity During the Prior Year

2017	Short Term Employee Benefits	Long Term Employee Benefits	Post-Employment Benefits	Termination Benefits	Equity settled share based payments		Total	Proportion of Remuneration that is Performance Based
	Salary and Fees \$	Long Service Leave \$	Superannuation Contribution \$	Cash \$	Shares \$	Options \$	\$	
<b>Directors</b>								
James McKerlie	109,378	-	-	-	-	19,224 <sup>[1]</sup>	128,602	-
Paul Gardner	51,680	-	-	-	-	9,612 <sup>[2]</sup>	61,292	-
Gary Cox	35,955	-	-	-	-	9,612 <sup>[3]</sup>	45,567	-
Michael Quinert	11,308	-	-	-	-	9,612 <sup>[4]</sup>	20,920	-
Anthony Owen <sup>[6]</sup>	153,752	-	-	-	-	19,224 <sup>[5]</sup>	172,976	-
Chris Adams <sup>[7]</sup>	10,366	-	-	-	-	-	10,366	-
Joseph Miller <sup>[8]</sup>	-	-	-	-	-	-	-	-
<b>Total Director remuneration</b>	<b>372,439</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>67,284</b>	<b>439,723</b>	<b>-</b>
Megan Owen	115,431	-	-	-	-	-	115,431	-
<b>Total other Key Management</b>	<b>115,431</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>115,431</b>	<b>-</b>

Total	487,870	-	-	-	-	67,284	555,154	-
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- (1) During the 2017 financial year, James McKerlie was granted 1,500,000 options with an exercise price of \$A0.07, a term of 3 years.
- (2) During the 2017 financial year, Paul Gardner was granted 750,000 options with an exercise price of \$A0.07, a term of 3 years.
- (3) During the 2017 financial year, Gary Cox was granted 750,000 options with an exercise price of \$A0.07, a term of 3 years.
- (4) During the 2017 financial year, Michael Quinert was granted 750,000 options with an exercise price of \$A0.07, a term of 3 years.
- (5) During the 2017 financial year, Anthony Owen was granted 1,500,000 options with an exercise price of \$A0.07, a term of 3 years.
- (6) Anthony Owen resigned 7 April 2017
- (7) Chris Adams resigned 2 June 2017
- (8) Joseph Miller resigned 28 October 2016

### Movements in Directors & KMP Shareholdings

The number of shares held by each Director during the financial year are set out below.

2018	Balance 01/07/2017	Received as Remuneration	Exercise of Options	Net Change Other*	Balance 30/06/2018
<b>Directors</b>					
James McKerlie	2,875,000	-	-	-	2,875,000
Paul Gardner	718,750	-	-	1,363,636	2,082,386
Gary Cox	862,500	-	-	-	862,500
Michael Quinert	715,000	-	-	-	715,000
<b>Total</b>	<b>5,171,250</b>	<b>-</b>	<b>-</b>	<b>1,363,636</b>	<b>6,534,886</b>

\* The 'Net Change Other' column above includes those shares that have been either sold or purchased by holders.

The number of shares held by each Director during the prior year are set out below.

2017	Balance 01/07/2016	Received as Remuneration	Exercise of Options	Net Change Other*	Balance 30/06/2017
<b>Directors</b>					
James McKerlie	-	-	-	2,875,000	2,875,000
Paul Gardner	-	-	-	718,750	718,750
Gary Cox	-	-	-	862,500	862,500
Michael Quinert	140,000	-	-	575,000	715,000
Anthony Owen <sup>(1)</sup>	6,769,540	-	-	(613,233)	4,156,307
Chris Adams <sup>(2)</sup>	-	-	-	-	-
Joseph Miller <sup>(3)</sup>	13,961,731	-	-	928,571	14,890,302
<b>Total</b>	<b>20,871,271</b>	<b>-</b>	<b>-</b>	<b>3,346,588</b>	<b>24,217,589</b>

\* The 'Net Change Other' column above includes those shares that have been either sold or purchased by holders.

- (1) Anthony Owen resigned 7 April 2017
- (2) Chris Adams resigned 2 June 2017
- (3) Joseph Miller resigned 28 October 2016

### Movements in Directors & KMP options holdings

No options were exercised during 2018.

The number of options held by each Director and key management personnel during the financial year ended 30 June 2018 are set out below.

2018	Balance 01/07/2017	Received as Remuneration	Exercise of Options	Lapsed	Net other change*	Balance 30/06/2018
<b>Directors and Key Management Personnel</b>						
James McKerlie	4,000,000	-	-	(2,500,000)	-	1,500,000
Paul Gardner	1,375,000	-	-	(625,000)	-	750,000
Gary Cox	2,000,000	-	-	(1,250,000)	-	750,000
Michael Quinert	1,750,000	-	-	(500,000)	-	1,250,000
Anthony Owen	14,395,233	-	-	-	-	14,395,233
Terence Clee	-	-	-	-	-	-
James Ellingford	-	-	-	-	-	-
Tim Wilson	-	-	-	-	-	-
<b>Total</b>	<b>27,445,613</b>	<b>-</b>	<b>-</b>	<b>(5,375,000)</b>	<b>-</b>	<b>22,070,613</b>

\*Net other change refers to options granted in connection with participation of issue of unsecured convertible loan notes.

There were no options issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2018.

The number of options held by each Director and key management personnel during the financial year ended 30 June 2017 are set out below.

2017	Balance 01/07/2016	Received as Remuneration	Exercise of Options	Lapsed	Net other change*	Balance 30/06/2017
<b>Directors and Key Management Personnel</b>						
James McKerlie	-	1,500,000	-	-	2,500,000	4,000,000
Paul Gardner	-	750,000	-	-	625,000	1,375,000
Gary Cox	-	750,000	-	-	1,250,000	2,000,000
Michael Quinert	500,000	750,000	-	-	500,000	1,750,000
Anthony Owen <sup>(1)</sup>	12,895,233	1,500,000	-	-	-	14,395,233
Chris Adams <sup>(2)</sup>	500,000	-	-	-	-	500,000
Joseph Miller <sup>(3)</sup>	-	-	-	-	-	-
Megan Owen	3,425,380	-	-	-	-	3,425,380
<b>Total</b>	<b>17,320,613</b>	<b>5,250,000</b>	<b>-</b>	<b>-</b>	<b>4,875,000</b>	<b>27,445,613</b>

\*Net other change refers to options granted in connection with participation of issue of unsecured convertible loan notes.

- (1) Anthony Owen resigned 7 April 2017  
(2) Chris Adams resigned 2 June 2017  
(3) Joseph Miller resigned 28 October 2016

Details of share options issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

Name	Options	Grant Date	Date of Expiry	Exercise Price \$AUD	Fair value \$AUD
James McKerlie	1,500,000	19 January 2017	19 January 2020	\$0.07	\$25,500
Paul Gardner	750,000	19 January 2017	19 January 2020	\$0.07	\$12,750
Gary Cox	750,000	19 January 2017	19 January 2020	\$0.07	\$12,750
Michael Quinert	750,000	19 January 2017	19 January 2020	\$0.07	\$12,750
Anthony Owen	1,500,000	19 January 2017	19 January 2020	\$0.07	\$25,500

### Other Payments Made to the Directors

A Director, Michael Quinert, is the partner of a legal firm Quinert Rodda & Associates. During the year Quinert Rodda & Associates provided legal advisory service to the Group. The services were provided on normal commercial terms and conditions. Payments are included in the Statement of Profit or Loss and Other Comprehensive Income as operating expense of the Group.

Amounts recognised as expense:

	Consolidated	
	2018 \$	2017 \$
<b>Quinert Rodda &amp; Associates Consulting &amp; Professional Fees</b>	44,000	84,262
<b>Total</b>	<b>44,000</b>	<b>84,262</b>

This marks the end of the audited Remuneration Report.

### Indemnification of Officers

During the financial year, Manalto Limited instituted Directors and Officers insurance. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

## Proceedings on Behalf of Company

The Company is currently engaged in litigation with some former directors and contractors who the current Board consider failed to provide services to the Company. The Company is actively disputing these claims. The Company accepts the advice of its solicitors that the total exposure from all pending litigation matters should not exceed \$125,000.

The Company is not party to any other proceedings as at the date of this report.

## Options

At the date of this report, the unissued ordinary shares of Manalto Limited under unlisted options are as follows:

Grant Date	Date of Expiry	*Exercise Price	Number Under Option
11 March 2015	11 March 2020	\$0.25	4,550,000
15 December 2015	15 December 2020	\$0.30	1,268,151
29 February 2016	29 February 2020	\$0.20	12,324,349
26 February 2016	29 February 2020	\$0.25	2,004,610
19 January 2017	19 January 2020	\$0.07	5,250,000
21 March 2018	21 March 2021	\$0.004 <sup>1</sup>	1,913,333,334
<b>Total</b>			<b>1,938,730,445</b>

<sup>1</sup>The options were free attaching to the shares issued on 21 March 2018.

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Signed in accordance with a resolution of the Board of Directors:



**Terence Clee**  
Chairman

Dated 31 August 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 30 June 2018

	Note	Consolidated	
		2018 \$AUD	2017 \$AUD
<b>Revenue</b>	3	62,732	152,310
<b>Other income</b>	3	17,908	66
Total revenue and other income	3	80,640	152,376
Payroll and employees expense		(133,011)	(2,570,917)
Share-based payment expense		(520,532)	(570,036)
Travel and accommodation		(46,900)	(460,795)
Consulting and professional fees	4	(957,121)	(1,211,871)
General administration and compliance costs		(206,861)	(498,144)
IT and web costs		(37,473)	(243,808)
Advertising and marketing		(47,561)	(119,605)
Depreciation and amortisation		-	(552,042)
Impairment of intangible assets		-	(2,152,350)
Finance expense	5	(127,194)	(192,395)
Loss before income tax		(1,614,263)	(8,419,587)
Income tax benefit	6	-	(491,868)
<b>Loss from continuing operations</b>		<b>(1,614,263)</b>	<b>(8,911,455)</b>
<b>Loss from discontinued operations</b>		<b>(643,323)</b>	<b>-</b>
<b>Net loss for the period</b>		<b>(2,257,586)</b>	<b>(8,911,455)</b>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign Currency Translation Reserve Movement	15	(27,057)	(98,220)
<b>Total comprehensive income/(loss) for the period</b>		<b>(2,284,643)</b>	<b>(9,009,675)</b>
Basic and diluted loss per share (cents per share) from continuing operations:			
Basic earnings per share	18	(0.0013)	(0.049)
Diluted earnings per share	18	(0.0013)	(0.049)

The accompanying notes form part of the financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	Consolidated		
		2018 \$AUD	2017 \$AUD	2016 \$AUD
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	7	1,516,513	496,629	1,758,160
Trade and other receivables	8	86,823	546,090	178,084
Prepaid expenses	8	20,836	10,716	3,632
<b>Total current assets</b>		<b>1,624,172</b>	<b>1,053,435</b>	<b>1,939,876</b>
Non-current assets				
Deferred tax assets		-	-	491,868
Property, plant and equipment	10	-	90,320	107,630
Intangible assets	9	-	-	1,974,862
<b>Total non-current assets</b>		<b>-</b>	<b>90,320</b>	<b>2,574,360</b>
<b>TOTAL ASSETS</b>		<b>1,624,172</b>	<b>1,143,755</b>	<b>4,514,236</b>
<b>LIABILITIES</b>				
Current liabilities				
Trade and other payables <sup>1</sup>	11	1,353,057	1,467,139	171,417
Short-term borrowings		-	1,500,185	-
Short-term provisions	12	78,742	203,836	45,485
<b>Total current liabilities</b>		<b>1,431,799</b>	<b>3,171,160</b>	<b>216,902</b>
<b>TOTAL LIABILITIES</b>		<b>1,431,799</b>	<b>3,171,160</b>	<b>216,902</b>
<b>NET ASSETS</b>		<b>192,373</b>	<b>(2,027,405)</b>	<b>4,297,334</b>
<b>EQUITY</b>				
Equity attributable to owners of the parent:				
Contributed equity	13	20,524,577	16,237,688	14,122,790
Share option reserve	19	1,511,741	1,381,209	811,173
Foreign currency translation reserve	15	(147,993)	(120,936)	(22,716)
Accumulated losses	14	(21,695,952)	(19,525,366)	(10,631,913)
<b>TOTAL EQUITY</b>		<b>192,373</b>	<b>(2,027,405)</b>	<b>4,297,334</b>

<sup>1</sup>The Company is disputing \$342,149 worth of creditors.

The accompanying notes form part of the financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2018

		Consolidated					
30 June 2018	Note	Contributed Equity \$AUD	Other Contributed Equity \$AUD	Foreign currency reserve \$AUD	Accumulated Losses \$AUD	Share option reserve \$AUD	Total \$AUD
<b>Balance at 1 July 2017</b>		<b>16,178,155</b>	<b>77,488</b>	<b>(120,936)</b>	<b>(19,525,366)</b>	<b>1,381,209</b>	<b>(2,027,405)</b>
Losses for the year	14	-	-	-	(2,257,586)	-	(2,257,586)
Prior year retained earnings adjustment		(87,000)	-	-	87,000	-	-
Other comprehensive income/(loss)	15	-	-	(27,057)	-	-	(27,057)
<b>Transactions with owners in their capacity as owners</b>							
Share-based payment – share options	19	-	-	-	-	130,532	130,532
Contributions of equity	13	4,343,757	-	-	-	-	4,343,757
Issue of convertible notes – equity component		-	30,132	-	-	-	30,132
<b>Balance at 30 June 2018</b>		<b>20,434,912</b>	<b>89,665</b>	<b>(147,993)</b>	<b>(21,695,952)</b>	<b>1,511,741</b>	<b>192,373</b>

		Consolidated					
30 June 2017	Note	Contributed Equity \$AUD	Other contributed equity \$AUD	Foreign currency reserve \$AUD	Accumulated Losses \$AUD	Share option reserve \$AUD	Total \$AUD
<b>Balance at 1 July 2016</b>		<b>14,122,790</b>	<b>-</b>	<b>(22,716)</b>	<b>(10,613,913)</b>	<b>811,173</b>	<b>4,297,334</b>
Losses for the year	14	-	-	-	(8,911,453)	-	(8,911,453)
Other comprehensive income/(loss)	15	-	-	(98,220)	-	-	(98,220)
<b>Transactions with owners in their capacity as owners</b>							
Share-based payment – share options	20	-	-	-	-	570,036	570,036
Contributions of equity	13	2,037,450	-	-	-	-	2,037,450
Issue of convertible notes (equity component)	13	-	77,448	-	-	-	77,448
<b>Balance at 30 June 2017</b>		<b>16,160,240</b>	<b>77,448</b>	<b>(120,936)</b>	<b>(19,525,366)</b>	<b>1,381,209</b>	<b>(2,027,405)</b>

The accompanying notes form part of the financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2018

	Note	Consolidated	
		2018 \$AUD	2017 \$AUD
<b>Cash flows from operating activities:</b>			
Receipts from customers		62,009	183,264
Payments to suppliers and employees		(1,482,657)	(3,643,435)
Interest received/(paid)		740	66
Net cash from continuing operations		(1,419,908)	(3,460,105)
Net cash from discontinued operations		(529,812)	-
<b>Net cash provided by (used in) operating activities</b>	20(a)	<b>(1,949,720)</b>	<b>(3,460,105)</b>
<b>Cash flows from investing activities:</b>			
Payments for plant and equipment		-	(42,045)
Payments for intangibles		-	(609,145)
<b>Net cash provided by (used in) investing activities</b>		<b>-</b>	<b>(651,190)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issue of share capital		2,030,000	797,000
Capital raising costs		(367,610)	(87,000)
Proceeds from borrowings		1,750,521	2,237,984
Repayment of convertible notes		(446,250)	-
<b>Net cash provided by financing activities</b>		<b>2,996,661</b>	<b>2,947,984</b>
Net increase (decreases) in cash held		1,046,941	(1,163,311)
Effect of currency translation on cash and cash equivalents		(27,057)	(98,220)
Cash at beginning of financial year		<b>496,629</b>	1,758,160
<b>Cash at end of financial year</b>	7	<b>1,516,513</b>	<b>496,629</b>

The accompanying notes form part of the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

## Statement of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Pursuant to changes to the *Corporations Act 2001*, the financial statements presented are only for the consolidated entity consisting of Manalto Limited and its subsidiaries. Disclosures required in relation to the parent entity are presented in Note 21.

### (a) Basis of preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian interpretations), other authoritative pronouncements adopted by the Australian Accounting Standards Board (AASB), and the *Corporations Act 2001*. The Company is a for-profit entity for the purpose of preparing financial statements.

### Compliance with IFRS

The consolidated financial statements and notes of Manalto Limited comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

### Historical Cost Convention

These financial statements have been prepared under the historical cost convention.

### Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed at (x).

### (b) Change in presentation currency

The Directors have elected to change its presentation currency from United States dollars (US\$) to Australian dollars (AUD\$) effective from 30 June 2018. The change in reporting currency is a voluntary change that is accounted for retrospectively.

The financial report has been restated to AUD\$ using the procedures outlined below:

- a) Income Statement and Statement of Cash Flows have been translated into AUD\$ using average foreign currency rates prevailing for the relevant period.
- b) Assets and liabilities in the Statement of Financial Position have been translated into AUD\$ at the closing foreign currency rates on the relevant balance sheet dates.
- c) The equity section of the Statement of Financial Position, including foreign currency translation reserve, accumulated losses, share capital and the other reserves have been translated into AUD dollars using historical rates.
- d) Earnings per share has also been restated to AUD\$ to reflect the change in reporting currency.

The functional currency of the Australian parent entity and its subsidiaries remains unchanged.

### (c) Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The Company's ability to continue as a going concern is dependent on future capital raising until such time as revenues are sufficient to support the Company's operations. While the raising of the necessary funds is not assured, the Directors are confident that in the short term they will be able to raise the additional capital required to continue the business operations. Directors have formed this view on the basis of the Company's recent capital raising successes.

The Company is also in the process of negotiating the settlement of liabilities incurred by the various subsidiary entities. Where these negotiations are successful, the Company's cash outflows, in relation to these liabilities, will be reduced.

The Company is continuing to develop the Manalto Product with a view to increasing customer numbers and sales revenue. During the June 2018 quarter, the sales team brought in five new franchisees for Mosquito Joe and nine new franchisees for Pool Scouts. Further product demonstrations planned for the coming months which is hoped to increase customer numbers.

The Directors believe that it is reasonably foreseeable that the Company and consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in preparation of the financial report.

### (d) Principles of Consolidation

The consolidated financial statements comprise the financial statements of Manalto Limited and its subsidiaries (the Group) as at 30 June 2018.

Refer to Note 25 for detailed information on controlled entities throughout the reporting period ended 30 June 2018.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the group.

### (e) Segment Reporting

The Group determines and presents operating segments based on the information that is internally provided to the Executive Chairman, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are regularly reviewed by the Group's Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board include revenue and expense items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Assets and liabilities are not allocated to operating segments. Other unallocated items comprise mainly head office and Group-wide expenses, and income tax amounts.

Under AASB 8 *Operating Segments*, segment information is presented using a 'management approach'; that is, segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker (executive management committee that makes strategic decisions). In the year ended 30 June 2017, the Group has continued operations in Australia, the USA, South Africa, Ireland and the Netherlands. As such, the Directors have opted to report its operations by geographical segments. Refer to Note 24 for further information.

### (f) Foreign Currency Translation

The functional currency of the Manalto Limited and Australian subsidiary Soshlr Pty Ltd is Australian Dollars (\$AUD), while the subsidiary in the United States has a functional currency of US Dollars (\$USD), the subsidiary in South Africa has a functional currency of South African Rand (ZAR), the subsidiary in Ireland has a functional currency of Euro (€EUR), and the subsidiary in the Netherlands has a functional currency of Euro (€EUR). As the Company has transitioned the corporate function back to Australia, with the majority of management and operating cashflows to be focused in Australia going forward, the directors have elected to present the financial information in Australian dollars. As such the comparatives have been converted to \$AUD to reflect this change.

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except for differences arising on the re-translation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognised in other comprehensive income.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

Foreign currency gains and losses are reported on a net basis.

### (g) Financial Instruments

#### i. Non-Derivative Financial Assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### ii. Financial Assets at Fair Value through Profit or Loss

At 30 June 2018, the Group does not hold any financial assets at fair value through profit or loss.

#### iii. Held-to-Maturity Investments

If the Group has positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

#### iv. Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade and other receivables (refer to Note 1(o)).

Cash and cash equivalents comprise cash balances and at-call deposits with original maturities of three months or less (refer to Note 1(q)).

**v. Available-For-Sale Financial Assets**

As at 30 June 2018, the Group does not hold any available-for-sale financial assets. Any such assets subsequently acquired would, subsequent to initial recognition, be measured at fair value and changes therein, other than impairment losses (see Note 1(g)(x) and foreign exchange gains and losses on available-for-sale monetary items (see Note 1(f)) would be recognised in other comprehensive income. When an investment is derecognised, the cumulative gain or loss in equity would be transferred to profit or loss.

**vi. Non-Derivative Financial Liabilities**

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts.

The Group has (or has had during the reporting period) the following non-derivative financial liabilities: trade and other payables. These financial liabilities are recognised at fair value plus any directly attributable transaction costs.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**vii. Share Capital**

Ordinary shares are classified as equity. If the entity reacquires its own equity instruments, e.g. as the result of a share buy back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

**viii. Derivative Financial Instruments**

As at 30 June 2018, the Group did not hold any derivative financial instruments.

**ix. Compound Financial Instruments**

Compound financial instruments consist of convertible notes that can be converted to share capital at the option of the holder. Upon conversion of the convertible notes, the number of shares to be issued does vary with changes in their fair value.

The fair value of a liability portion of a convertible note is determined using a market rate of interest for an equivalent non-convertible note and stated on an amortised cost basis until conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option and is shown as equity. Issue costs are apportioned between the liability and equity components based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Subsequent to initial recognition, the liability component of this compound financial instrument is measured at amortised cost using the effective interest method. Any equity component of this compound financial instrument is not remeasured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders will be recognised against equity, net of any tax benefit.

**x. Impairment of Financial Assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not otherwise consider, indications that a debtor or issuer will enter bankruptcy, and the disappearance of an active market for a security.

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries, and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. If applicable, interest on an impaired asset

continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### **(h) Property, plant and equipment**

Items of property, plant and equipment are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. Items of property, plant and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of equipment and other equipment. The following useful lives are applied:

- IT equipment: 2-5 years
- Other equipment: 3-12 years

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

#### **(i) Intangible Assets**

##### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment losses on goodwill cannot be reversed.

##### **Research & Development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

#### **(j) Impairment of Non-Financial Assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

At each reporting date the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

#### **(k) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Fees paid in the establishment of loan facilities, which are not incremental costs relating to the draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Finance expenses comprise interest expense on borrowings including convertible notes, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and impairment losses recognised on financial assets.

In respect of borrowing costs relating to qualifying assets, the Group capitalises borrowing costs directly attributable to the

acquisition, construction or production of a qualifying asset as part of the cost of that asset.

### **(l) Provisions**

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance expense.

### **(m) Employee Benefits**

#### **Wages & Salaries, Annual Leave & Sick Leave**

Liabilities for wages and salaries, including non-monetary benefits, are recognised in other payables, and for annual leave and accumulating sick leave expected to be settled within 12 months in provisions, in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled, on an undiscounted basis.

#### **Long Service Leave**

The liability for long service leave is not recognised in the provision for employee benefits. All of the Group's current employees are based in the United States of America (USA), South Africa and the Netherlands and no long service leave entitlements exist in these locations.

#### **Profit Sharing & Bonus Plans**

The Group recognises a liability and an expense for bonuses and profit sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### **Defined Contribution Plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. The Company does not make contributions to a defined contribution plan on behalf of an employee.

### **(n) Share-Based Payments**

The Group measures the goods and services received by equity-settled share-based payment transactions as an increase in equity, directly, at the fair value of the goods or services rendered, unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the goods or services rendered, the Group shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

If the equity instruments granted vest immediately, are unconditional and are not required to complete a specified period of service, the Group shall presume that services rendered by the counterparty as consideration for the equity instruments have been received. On grant date the Group recognises the services rendered in full, with a corresponding increase in equity.

If the equity instruments granted do not vest until the counterparty completes a specified period of service, the Group shall presume that the services to be rendered by the counterparty as consideration for those equity instruments will be received in the future, during the vesting period. The Group accounts for these services as they are rendered by the counterparty during the vesting period, with a corresponding increase in equity.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

For the Group's policy on share based payments to employees, please refer to Note 1(m).

### **(o) Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, volume rebates, and duties and taxes paid. Revenue is recognised for the major business activities as follows:

Revenue from license services provided are recognised over the subscription period and recognised in the period in which it is earned.

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are reflected as a reduction in the cost of acquiring or developing the asset.



Interest revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

**(p) Trade Receivables**

Trade receivables are recognised at fair value less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

**(q) Cash and Cash Equivalents**

Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in profit or loss in other expenses.

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**(r) Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(s) Goods & Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

**(t) Earnings per Share**

**Basic Earnings Per Share**

Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

**Diluted Earnings Per Share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(u) Income Tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

From time to time, the Group receives Research and Development grant from the government. This amount is reported as a credit in the income tax expense account.

#### **(v) Leases**

At the inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group are classified as finance leases.

Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a diminishing value basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

#### **(w) New accounting standards issued but not yet effective**

The following new standards, amendments to Standards and Interpretations which have been recently issued or amended but are not yet effective have not been applied to the financial statements for the current period. None of these are expected to have a significant effect on the entity's financial position or performance.

##### **AASB 9 – Financial Instruments**

AASB 9 replaces the existing guidance in AASB 139 – *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting treatment. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

The group currently has no hedging arrangements. The group has had convertible note arrangements (compound instruments), however these were all settled prior to 30 June 2018. Any future convertible note arrangements will need to be recognised at its fair value on initial recognition and subsequently fair valued at each reporting period with any adjustments made through profit and loss accordingly.

##### **AASB 15 – Revenue from Contracts with Customers**

AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 – *Revenue* and AASB 111 – *Construction Contracts*.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15 ); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

The Group currently receives revenue from its customers from the sale of the Manalto Product. However the product is merely

subscription based.

The Group only recognises revenue after billing the customer for number of active social media accounts for the previous month. There are no further performance obligations to be met after the customer is billed.

As a result, the changes to AASB 15 are likely to have no impact on the Group's revenue recognition.

#### **AASB 16 – Leases**

AASB 16 *Leases* was issued and introduced changes to lessee accounting. It requires recognition of lease liabilities and assets other than short-term leases of low-value assets on the statement of financial position. This will replace the operating/financial lease distinction and accounting requirements prescribed in AASB 117 *Leases*.

AASB 16 will become mandatory for the Group's 30 June 2020 financial statements.

Due to the discontinuance of overseas operations in the USA and South Africa, the group currently has no active operating lease arrangements in place. As such the changes to AASB 16 will have no impact on the Group's financial statements.

#### **(x) Critical Accounting Estimates & Judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Refer also to Note 1(b) in relation to the adoption of the 'going concern' basis of accounting in the financial statements.

#### **(y) Income Taxes**

The Group is subject to income taxes in Australia, United States of America, South Africa, Ireland and the Netherlands. The Group has not recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped. Refer to Note 6 for further detail.

## **Financial Risk Management**

### **Overview**

The Company and the Group have exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and,
- market risk.

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks affecting the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through training and management standards and procedures appropriate for a small organisation, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Board oversees how management monitors compliance with the Company's and Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and Group. Being a relatively small organisation, there is no formal Internal Audit function.

### **Credit Risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.



### Exposure to Credit Risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	Carrying Amount	
		2018 \$AUD	2017 \$AUD
Trade & Other Receivables	8	86,823	546,090
<b>Total</b>		<b>86,823</b>	<b>546,090</b>

The Group's maximum exposure to credit risk for Trade Receivables at the reporting date was \$86,823 (2017: \$546,090).

### Trade and Other Receivables

The Group has a credit policy under which potential new customers are analysed individually for creditworthiness before payment terms are offered. As the Group's revenue has been derived principally from arrangements under pre-agreed contractual terms, credit limits are not considered relevant. If payment is not received within agreed credit terms, services or availability of licensed technology may be suspended pending clearance of the outstanding balance.

More than 75% of the Group's operating revenue is from customers that have been transacting with the Group for 12 months, and losses have rarely if ever been experienced. In monitoring credit risk, each customer is assessed individually rather than grouping customers according to credit characteristics, because the Group deals with only a small number of customers. The Board of Directors reviews and approves the terms of new service contracts entered into with customers, including credit terms granted.

### Guarantees

Neither the Company nor the Group has provided financial guarantees to any third party.

### Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments, for the Group:

#### 30 June 2018

	Carrying Amount \$	Contract C/Flows \$	6 months or less \$	6 -12 months \$	1 – 2 years \$	2 – 5 years \$	More than 5 years \$
<b>Non-Derivative Financial Liabilities</b>							
Trade and other payables	1,353,057	1,353,057	1,353,057	-	-	-	-
Loan	-	-	-	-	-	-	-
<b>Total</b>	<b>1,353,057</b>	<b>1,353,057</b>	<b>1,353,057</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 30 June 2017

	Carrying Amount \$	Contract C/Flows \$	6 months or less \$	6 -12 months \$	1 – 2 years \$	2 – 5 years \$	More than 5 years \$
<b>Non-Derivative Financial Liabilities</b>							
Trade and other payables	1,467,139	1,467,139	1,467,139	-	-	-	-
Loan	-	-	-	-	-	-	-
<b>Total</b>	<b>1,467,139</b>	<b>1,467,139</b>	<b>1,467,139</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group is exposed to material levels of market risk. The Group has exposure to currency risk in relation to purchases that are denominated in a currency other than United States dollars. However, such purchases represent a relatively small proportion of total Group expenses and entry into hedging activity in relation to such purchases is not considered warranted on a cost-benefit analysis. The Group is exposed to currency risk associated with raising capital in Australia and utilising this capital to fund operational expenditure in the USA, South Africa and Europe. The cost of hedging this position is extremely high as the exact timing and amounts associated with the capital raising activities is not certain. As such the Directors do not consider this a cost effective measure to manage currency risk, and rather seek alternative measure to minimise the currency exchange losses.

The Group also has only a minor exposure to interest rate risk. Interest on credit card facilities is at a variable interest rate. Interest expense on these facilities is minor.

### Exposure to Currency Risk

The Group's exposure (shown as Asset/(Liability) and Revenue/(Expense)) to foreign currency risk at reporting date was as follows, based on notional amounts (all amounts are shown as AUD equivalents, with column headings denoting the invoice-denominated currency):

<b>30 June 2018</b>	<b>EUR</b>	<b>ZAR</b>	<b>GBP</b>	<b>USD</b>
Cash and cash equivalents	-	-	-	10,270
Trade and other payables	(95,581)	(361,265)	-	(281,566)
Trade and other receivables	872	65,814	-	-
Short-term borrowings	-	-	-	-
Gross Balance Sheet exposure	(94,709)	(295,451)	-	(271,296)
Profit or (loss)	(11,786)	(231,343)	-	(400,193)

<b>30 June 2017</b>	<b>EUR</b>	<b>ZAR</b>	<b>GBP</b>	<b>USD</b>
Cash and cash equivalents	-	5,899	-	202,615
Trade and other payables	(78,233)	(229,151)	-	(327,832)
Trade and other receivables	822	87,959	-	40,688
Gross Balance Sheet exposure	(77,411)	(135,294)	-	(84,529)
Profit or (loss)	(281,304)	(1,260,376)	-	(5,125,557)

The following significant exchange rates applied during the year:

	Average Rate		Spot Rate	
	2018	2017	2018	2017
<b>AUD</b>				
USD	0.7753	0.7537	0.7391	0.7686
EUR	0.6500	0.6916	0.6344	0.6728
ZAR	10.1665	10.2473	10.1426	10.0255

### Interest Rate Risk

#### Profile

At the reporting date, the interest rate profile of the Company's and the Group's interest-bearing financial instruments was:

	Consolidated Carrying Amount	
	2018 \$AUD	2017 \$AUD
Fixed Rate Instruments	-	-
Short term borrowings	-	(1,500,185)
Variable Rate Instruments	-	-
Financial liabilities	-	-
Cash	1,516,513	496,629

#### Fair Value Sensitivity for Fixed Rate Instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, nor does it have any derivatives designated as hedging instruments under a fair value hedge accounting model. Therefore, a fair value change in interest rates at the reporting date would not affect profit or loss.

#### Fair Values versus Carrying Amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	30 June 2018		30 June 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Consolidated				
Trade and other receivables	86,823	86,823	546,090	546,090
Cash and cash equivalents	<b>1,516,513</b>	<b>1,516,513</b>	<b>496,629</b>	<b>496,629</b>
Prepaid expenses	20,836	20,836	10,716	10,716
Short term provision	(78,742)	(78,742)	(203,836)	(203,836)
Trade and other payables	(1,353,057)	(1,353,057)	(1,467,139)	(1,467,139)
Short-term borrowings	-	-	(1,500,185)	(1,500,185)
Total	258,187	258,187	(2,117,725)	(2,117,725)

Fair value of all financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For convertible notes, the market

rate of interest is determined by reference to likely rates available on similar debt financing facilities, having regard to market conditions and the Group's credit status.

#### Fair Value Hierarchy

The Group does not have any financial instruments for which a fair value has had to be determined using a valuation method with inputs such as market data or other observable inputs.

#### Capital Management

The Board is in the process of developing a capital risk management policy to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

### 3. Revenue and Other Income

	Consolidated	
	2018 \$AUD	2017 \$AUD
Revenue from operating activities		
Licence fee revenue	62,732	152,310
<b>Total operating revenue</b>	<b>62,732</b>	<b>152,310</b>
Other income		
Gain on repayment of convertible note	17,168	-
Interest received	740	66
<b>Total other income</b>	<b>17,908</b>	<b>66</b>
<b>Total revenue and other income</b>	<b>80,640</b>	<b>152,376</b>

### 4. Consulting and professional fees

	2018 \$AUD	2017 \$AUD
Directors fees	88,974	265,084
Company secretary fees	49,329	47,700
Accounting expense	138,753	27,730
Audit fees	40,539	54,790
Consulting expense	168,528	129,632
Contractor expense	68,648	175,727
Soshlr market development expense	-	128,742
Corporate consulting	190,000	
Equity market advisory fees	113,972	131,000
Legal expense	98,377	251,466
<b>Total</b>	<b>957,120</b>	<b>1,211,871</b>

### 5. Finance Income and Expense

<i>Recognised in Profit or Loss:</i>	Consolidated	
	2018 \$AUD	2017 \$AUD
Interest income on bank deposits	740	66
Finance Income	740	66
Interest expense on convertible notes	(127,194)	(192,395)
Finance Expense	(127,194)	(192,395)
Net Finance Income/(Expense)	(126,454)	(192,329)

No Finance Income or Expense was recognised directly in equity (2017: Nil).

## 6. Taxation

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

	2018 \$AUD	2017 \$AUD
Prima facie tax benefit on loss from ordinary activities before income tax		
- Australia (Income tax rate: 27.5% <sup>(1, 2)</sup> )	360,024	1,337,915
- United States (35%)	140,068	849,624
- South Africa (28%)	64,776	374,501
- Ireland (13%)	-	17,513
- Netherlands (25%)	2,947	35,300
Consolidated entity	<b>565,815</b>	<b>2,614,853</b>
Adjusting for the tax effect of:		
Amortisation of intangible assets	-	30,371
Permanent differences	-	(33,873)
Deferred tax asset of tax loss and temporary differences not brought to account	(565,815)	(2,611,351)
Deferred tax assets written off	-	-
<b>Income tax benefit attributable to entity</b>	<b>-</b>	<b>-</b>

- (1) In the 2016/17 Budget, the Australian Government announced a reduction in corporate tax rate for entities with aggregate turnover less than \$A2 million. As it was likely that the aggregate turnover will initially be \$A2 million or less for Australian operations when absorbing the losses recognised, income tax rate of 28.5% was been applied when assessing deferred tax benefits for the 2016 financial year.
- (2) Furthermore, the corporate tax rate was further reduced from 28.5% to 27.5% for the 2016/17 income year for small business entities. As it was likely that the aggregate turnover will initially be \$A2 million or less for Australian operations when absorbing the losses recognised, income tax rate of 27.5% was been applied when assessing deferred tax benefits for the 2017 financial year.

### Deferred tax assets

Deferred tax assets brought to account are set out below.

	Consolidated	
	2018 \$AUD	2017 \$AUD
Opening Balance 1 July	-	491,868
Deferred tax assets recognised	-	-
Deferred tax assets written off	-	(491,868)
<b>Total</b>	<b>-</b>	<b>-</b>

This benefit for tax losses would only be obtained if:

The Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised; the Company complies with the conditions for deductibility imposed by the tax legislation; and no changes in tax legislation adversely affect the Company in realising the benefit from deductions for the losses.

In addition, the availability of tax losses is subject to the Group successfully establishing deductibility, and in particular, satisfying either the continuity of ownership test or the same business test at the future time at which losses are sought to be recouped.

## 7. Cash & Cash Equivalents

	Consolidated	
	2018 \$AUD	2017 \$AUD
Cash on hand	-	-
Cash at bank	1,516,513	496,629
Short-term bank deposits	-	-
<b>Total</b>	<b>1,516,513</b>	<b>496,629</b>

Cash at bank in 2018 is non-interest bearing (2017: non-interest bearing).

## 8. Trade & Other Receivables

	Consolidated	
	2018 \$AUD	2017 \$AUD
<b>CURRENT</b>		
Trade receivables	18,658	28,003
Allowance for doubtful debts	-	-
	18,658	28,003
Goods and services tax (receivable)	66,319	70,786
Deposits	-	44,948
Convertible notes receivable	-	337,481
Other receivables	1,846	64,874
<b>Total</b>	<b>86,823</b>	<b>546,092</b>
Prepayments	20,836	10,716
<b>Total</b>	<b>20,836</b>	<b>10,716</b>

### Impaired receivables

At 30 June 2018 there were no bad or doubtful debts. (2017: Nil)

### Effective interest rates and credit risk

There is no effective interest rate on receivables.

## 9. Intangible Assets

	Capitalised Development Costs \$AUD	Customer Contracts \$AUD	Total \$AUD
<b>Year ended 30 June 2018</b>			
Opening balance 1 July 2017	-	-	-
Additions	-	-	-
Impairment charges	-	-	-
Amortisation	-	-	-
Net exchange differences	-	-	-
Balance at 30 June 2018	-	-	-
<b>Year ended 30 June 2017</b>			
Opening balance 1 July	1,469,993	-	1,469,993
Additions	1,075,768	99,020	1,174,788
Impairment charges	(2,071,398)	-	(2,071,397)
Amortisation	(474,363)	(99,020)	(573,383)
Balance at 30 June 2017	-	-	-

The intangible asset related to capitalised development costs associated with the Soshlr social media management product. The asset was being amortised over a 5-year useful life beginning from the time the product was technically completed and commercialised, which occurred on 1 September 2016.

At 30 June 2017 an impairment loss of \$1,596,096 (2016: \$Nil) was recognised for this product. The recoverable amount of the asset, determined to be its value-in-use, was deemed nil, based on management's decision to discontinue the product, which was technically completed but had not achieved commercial success in the market. The time and investment required to achieve success was considered too great for the revenue that would be generated.

## 10. Property, plant and equipment

	Consolidated		
	Leasehold Improvements	Office equipment	Total
<b>Year ended 30 June 2018</b>			
<b>Gross carrying amount</b>			
Opening balance 1 July 2017	19,312	163,787	183,099
Additions	-	-	-
Disposals	(19,312)	(163,787)	(183,099)
Balance at 30 June 2018	-	-	-
<b>Accumulated depreciation and amortisation</b>			
Opening balance 1 July 2017	(10,582)	(82,197)	(97,779)
Disposals	10,582	82,197	97,779
Balance at 30 June 2018	-	-	-
<b>Carrying amount at 30 June 2018</b>	-	-	-
<b>Year ended 30 June 2017</b>			
<b>Gross carrying amount</b>			
Opening balance 1 July 2016	17,702	130,796	148,498
Additions	424	43,017	43,441
Disposals	-	(14,425)	(14,425)
Exchange difference	1,161	2,614	3,775
Balance at 30 June 2017	19,287	162,002	181,289
<b>Accumulated depreciation and amortisation</b>			
Opening balance 1 July 2016	(3,527)	(37,341)	(40,868)
Depreciation and amortisation expense	(6,824)	(52,526)	(59,350)
Disposals	-	9,260	9,260
Exchange difference	(108)	97	(11)
Balance at 30 June 2017	(10,459)	(80,510)	(90,969)
<b>Carrying amount at 30 June 2017</b>	<b>8,828</b>	<b>81,492</b>	<b>90,320</b>

## 11. Trade & Other Payables

	Consolidated	
	2018 \$AUD	2017 \$AUD
<b>CURRENT</b>		
<b>Unsecured Liabilities</b>		
Provision for audit fee	25,000	42,700
Trade payables and accrued expenses <sup>1</sup>	1,328,057	1,409,488
Other payables	-	14,951
<b>Total</b>	<b>1,353,057</b>	<b>1,467,139</b>

<sup>1</sup>Payables are non-interest bearing and are payable within one year. Included in this amount are \$342,149 worth of creditors that are currently being disputed. Please refer to note 26.

## 12. Short-Term Provisions

	Consolidated	
	2018 \$	2017 \$
Employee entitlements – annual leave	78,742	203,836
<b>Total</b>	<b>78,742</b>	<b>203,836</b>

### 13. Contributed Equity

	Consolidated	
	2018 No. of shares	2017 No. of shares
Opening contributed equity	239,173,632	165,783,161
Shares issued during the year upon conversion of convertible notes	1,167,215,000	37,681,250
Share based payments	206,000,000	-
Shares issued during the year as consideration	-	2,991,176
Shares issued during the year for cash	2,030,000,000	31,928,571
Shares issued as consideration for the acquisition of assets of the business known as Hearis	-	789,474
<b>Total</b>	<b>3,642,388,632</b>	<b>239,173,632</b>

	Consolidated	
	2018 \$AUD	2017 \$AUD
Balance at 1 July	16,237,688	14,122,790
Opening balance adjustment	(87,000)	-
Shares issued during the year for cash	2,030,000	797,000
Share issue expenses	(367,608)	(87,000)
Net cash flow from share issue	1,662,392	710,000
Conversion of short term borrowing to equity	2,439,365	1,167,250
Deemed consideration on acquisition of Hearis assets	-	45,000
Share based payments	242,000	115,200
Contributions of equity	4,421,757	1,950,450
Issue of convertible notes – equity component	30,132	77,448
<b>Total</b>	<b>20,524,577</b>	<b>16,237,688</b>

#### Year ended 30 June 2018:

- On 29 August 2017, 6,000,000 shares were issued as consideration for corporate advisory and capital raising services at an issue price of \$A0.007
- On 29 August 2017, 127,215,000 shares at \$A0.0110 were issued as part of the conversion of 1,399,365 convertible notes with a face value of \$1
- On 21 March 2018, 500,000,000 shares at \$A0.0010 were issued as part of the conversion of 500,000 convertible notes with a face value of \$1
- On 21 March 2018, 540,000,000 shares at \$A0.0010 were issued as part of the conversion of 540,000 convertible notes with a face value of \$1
- On 21 March 2018, 1,060,000,000 shares were issued at \$A0.0010 under the first tranche of the placement of 2,030,000,000 shares at an issue price of \$A0.0010.
- On 21 March 2018, 970,000,000 shares were issued at \$A0.0010 under the second tranche of the placement of 2,030,000,000 shares at an issue price of \$A0.0010.
- On 21 March 2018, 200,000,000 advisor shares were issued as consideration for corporate advisory and capital raising services at an issue price of \$A0.0010.

#### Year ended 30 June 2017:

- On 1 August 2016, 789,474 shares were issued as part consideration for the acquisition of assets of the business known as Hearis at an issue price of \$A0.057 (\$US0.043). The weighted average share price at the date of exercise was \$A0.059 (\$US0.045).
- On 18 November 2016, 1,428,571 shares were issued to former Director as part of a placement as approved by shareholders at the Company's Annual General Meeting on 15 November 2016 at an issue price of \$A0.07 (\$US0.052). The weighted average share price at the date of exercise was \$A0.046 (\$US0.034).
- On 19 January 2017, 2,250,000 shares were issued in satisfaction of loan repayment at an issue price of \$A0.040 (\$US0.030). The weighted average share price at the date of exercise was \$A0.027 (\$US0.020).
- On 19 January 2017, 741,176 shares were issued in partial satisfaction of capital raising fees due at an issue price of \$A0.034 (\$US0.026). The weighted average share price at the date of exercise was \$A0.027 (\$US0.020).
- On 20 April 2017, 29,181,250 shares were issued upon conversion of existing convertible notes previously approved by shareholders at an issue price of \$A0.040 (\$US0.030). The weighted average share price at the date of exercise was \$A0.027 (\$US0.020).
- On 20 April 2017, 8,500,000 shares were as free-attaching in connection with issue of aforementioned convertible. The weighted average share price at the date of exercise was \$A0.027 (\$US0.020).
- On 20 April 2017, 24,506,750 shares were issued under Part A of the first tranche of the placement of 30,500,000 shares at an issue price of \$A0.020 (\$US0.015). The weighted average share price at the date of exercise was \$A0.027 (\$US0.020).
- On 20 April 2017, 5,993,250 shares were issued under Part B of the first tranche of the placement of 30,500,000 shares at an issue price of \$A0.020 (\$US0.015). The weighted average share price at the date of exercise was \$A0.018 (\$US0.014).

#### Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. At shareholder meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.



All ordinary shares issued are fully paid.

#### Unlisted Options

<b>Unlisted Options at 30 June 2017</b>	<b>29,830,613</b>
Total options issued during the period	1,913,333,334
Total options lapsed / forfeited during the period	(4,433,502)
Less options exercised during the period	-
<b>Total unlisted options at 30 June 2018</b>	<b>1,938,730,445</b>

Information relating to unlisted options, including those issued pursuant to the Manalto Limited Employee Share Option Plan, showing details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out on the following table.

#### Unlisted Options at 30 June 2018

Grant Date	Date of Expiry	Exercise Price	Number Under Option
11 March 2015	11 March 2020	\$0.25	4,550,000
15 December 2015	15 December 2020	\$0.30	1,268,151
29 February 2016	29 February 2020	\$0.25	12,324,349
29 February 2016	29 February 2020	\$0.25	2,004,610
19 January 2017	19 January 2020	\$0.07	5,250,000
21 March 2018	21 March 2018	\$0.004 <sup>1</sup>	1,913,333,334
<b>Total</b>			<b>1,938,730,444</b>

<sup>1</sup> The options were free attaching to the shares issued on 21 March 2018

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

#### 14. Accumulated Losses

	2018 \$AUD	2017 \$AUD
Accumulated losses at the beginning of the financial year	19,525,366	10,613,913
Net loss for the period	2,257,586	8,911,453
Prior period adjustment to retained earnings	(87,000)	
Accumulated losses at the end of the financial year	<b>21,675,952</b>	<b>19,525,366</b>

#### 15. Foreign Currency Translation Reserve

	2018 \$AUD	2017 \$AUD
Balance at 1 July	(120,936)	(22,716)
Currency gain/(loss)	(27,057)	(98,220)
Balance at 30 June	<b>(147,993)</b>	<b>(120,936)</b>

#### 16. Key Management Personnel Disclosures

##### a) Key management personnel compensation

	Consolidated	
	2018 \$AUD	2017 \$AUD
Short term employee benefits	88,975	1,026,000
Long term employee benefits	-	-
Post-employment benefits	-	-
Share-based payments	-	536,318
Termination benefits	-	-
<b>Total</b>	<b>88,975</b>	<b>1,562,318</b>

##### b) Loans to key management personnel

No loans were made to any Directors of Manalto Limited or to any other key management personnel (or their related parties) of the Group during the year.



## 17. Related Party Transactions

### a) Parent Entity

The parent entity within the Group is Manalto Limited.

### b) Key Management Personnel

Disclosures relating to key management personnel are set out in Note 16.

### c) Directors

A former Director, Michael Quinert, is the partner of a legal firm Quinert Rodda & Associates. During the year Quinert Rodda & Associates provided legal advisory service to the Group. The services were provided on normal commercial terms and conditions. Payments are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income as operating expense of the Group.

Amounts recognised as expense:

	Consolidated	
	2018 \$AUD	2017 \$AUD
Quinert Rodda & Associates Consulting & Professional fees	44,000	84,262
<b>Total</b>	<b>44,000</b>	<b>84,262</b>

During the year, various capital raising and corporate advisory fees were paid to EverBlu Capital Pty Ltd (**EverBlu**). Tim Wilson is an employee of EverBlu but does not receive any benefit from the fees back by the Company to EverBlu. Accordingly the Company does not consider these transactions to be with a related party.

Notwithstanding this determination, as set out in the notice for the general meeting of Shareholders held 4 July 2018 and as announced to ASX by the Company on 12 April 2018, subsequent to the Shareholder approval obtained on 21 December 2017 and the issue of securities on 21 March 2018, ASX informed the Company that, in ASX's opinion, the relationships:

- between the Company on the one hand and Adam Blumenthal, Darrin Blumenthal, Alvin Blumenthal and the entities they control (including EverBlu Capital Pty Ltd, Code Nominees Pty Ltd <28698 A/C>, Anglo Menda Pty Ltd, Australian Share Nominees Pty Ltd, Horatio Street Pty Ltd and Suburban Holdings Pty Ltd); and
- between the Directors (who are related parties of the Company) on the one hand and the parties as per 1.2(a) on the other,

are such that any issue of equity securities by the Company to the parties as per 1.2(a) ought to be approved by Shareholders.

All resolution put to Shareholders on 4 July 2018 were passed.

### d) Outstanding balances arising from sales / purchases of goods and services

There were no balances outstanding at the reporting date in relation to transactions with related parties, other than as disclosed in relation to Key Management Personnel in Note 16.

## 18. Earnings Per Share

### a) Reconciliation of Earnings to Profit or Loss

	Consolidated	
	2018 \$AUD	2017 \$AUD
Loss for the year	2,257,586	8,911,585
<b>Earnings used in calculation of basic and diluted EPS from continuing operations</b>	<b>1,614,263</b>	<b>8,911,585</b>
<b>Earnings used in calculation of basic and diluted EPS from discontinued operations</b>	<b>643,323</b>	<b>-</b>

#### (a) Weighted average number of ordinary shares (diluted):

	Consolidated	
	2018	2017
Weighted average number of ordinary shares outstanding during the year used in calculating <i>basic</i> EPS	1,255,339,591	181,789,759
Weighted average number of ordinary shares outstanding during the year used in calculating <i>diluted</i> EPS	1,255,339,591	181,789,759

As diluted EPS is calculated as a lower loss per share than basic EPS, diluted EPS is taken to be the same as basic EPS.

## 19. Share Based Payments

### (a) Employee Option Plan

The Group has established the Manalto Limited Employee Share Option Plan (ESOP) to assist in the attraction, retention and motivation of employees of the Group. A summary of the Rules of the Plan is set out below.

- Each option is to subscribe for one fully paid ordinary share in the Company. Once issued, the options are subject to a holding period of four years, with the options vesting in equal percentages at the end of each year.
- Options are granted under the plan for no consideration. The exercise price of options will be determined by the Board, subject to a minimum price equal to the market value of the Company's shares either (in the discretion of the Board) at the time the Board resolves to offer those options or at the time of vesting.
- The total number of shares subject of options issued under the Plan, when aggregated with issues pursuant to any other employee share plan, must not exceed 5% of the Company's issued share capital.
- Shares issued as a result of the exercise of options will rank equally with the Company's previously issued shares.
- Option holders may only participate in new issues of securities by first exercising their options.
- Shares or Options received under the ESOP are received for past service.

#### Fair value of options granted

Grant Date	Expiry Date	Exercise Price cents	No. of options as at 01/07/17 '000	Balance 01/07/17 \$	No. Granted As Remun '000	*Value recognised in reserve \$	Exercised	Forfeited	No. of options as at 30/06/18 '000	Balance 30/06/18 \$	Vested & Exercisable
11 March 2015 <sup>[6]</sup>	11 March 2020	25	4,550	478,293	-	51,545	-	-	4,550	529,838	4,550
11 March 2015 <sup>[6]</sup>	11 March 2018	25	2,250	202,500	-	-	-	(2,250)	-	202,500	-
16 December 2015 <sup>[7]</sup>	16 December 2020	20	13,766	482,113	-	74,687	-	(1,441)	12,325	556,800	10,370
29 February 2016 <sup>[8]</sup>	29 February 2016	25	2,415	86,304	-	5,537	-	(410)	2,005	91,841	1,695
1 December 2015 <sup>[9]</sup>	1 December 2020	30	1,600	42,118	-	(1,236)	-	(332)	1,268	40,882	1,268
19 January 2017	19 January 2020	7	5,250	89,250	-	-	-	-	5,250	89,250	5,250
21 March 2018	21 March 2021	0.4 <sup>1</sup>	-	-	1,913,333	-	-	-	1,913,333	-	1,913,333
	<b>Total</b>		<b>29,831</b>	<b>1,381,578</b>	<b>1,913,333</b>	<b>130,533</b>	<b>-</b>	<b>(4,433)</b>	<b>1,938,737</b>	<b>1,511,111</b>	<b>1,936,467</b>

<sup>1</sup>The options were free attaching to the shares issued on 21 March 2018.

Set out below are the summaries of options granted under the plan as at 30 June 2017.

- (1) Using a Black-Scholes valuation model, the option value as of the 30 June 2017 on the 4.55 million management options issued on 11 March 2015 valued at 11.9 cents and 2.25 million advisor options valued at 9 cents. The options value recognised in the share option provision account is the liability associated with these options from the grant date to 30 June 2017.
  - (2) Using a Binomial valuation model, the 13,765,613 options issued at AU\$0.25 (US\$0.19) were valued at 5.07 cents.
  - (3) Using a Binomial valuation model, the 2,415,000 options issued at AU\$0.25 (US\$0.19) were valued at 5.07 cents
  - (4) Using a Black-Scholes valuation model, the 1,600,000 options issued at AU\$0.30 (US\$0.22) were valued at 3.40 cents.
  - (5) Using a Black-Scholes valuation model, the 25,875,000 options issued at AU\$0.07 (US\$0.05) were valued at 0.7 cents.
  - (6) Using a Black-Scholes valuation model, the 5,250,000 options issued at AU\$0.07 (US\$0.05) were valued at 1.7 cents.
- (b) Expenses arising from share - based payment transactions

Total expenses arising from share - based payment transactions recognised during the period:

	Consolidated	
	2018 \$AUD	2017 \$AUD
Shares issued for other services rendered	242,000	115,200
Options issued under ESOP	130,532	570,036
<b>Total</b>	<b>372,532</b>	<b>685,236</b>

## 20. Cash Flow Statement Information

### (a) Reconciliation of Cash Flow from Operations with loss after Income Tax

	2018 \$AUD	2017 \$AUD
Net loss for the period	(2,257,586)	(8,911,453)
Non-cash flows in profit:		
Depreciation	-	59,355
Amortisation	-	492,687
Write off of Non-Current assets	59,224	-
Interest expense on convertible notes	127,144	169,418
Impairment of intangible assets	(8,815)	2,152,350
Shares issued as operating expenses	212,200	115,200
Share based payment expense	130,532	570,036
(Increase)/decrease in trade and short term receivables	56,271	(31,605)
Increase/(decrease) in trade payables and accruals	(133,476)	1,280,771
Increase/(decrease) in deferred taxes payable	-	(491,868)
(Increase)/decrease in other current assets	(10,120)	(7,084)
Increase/(decrease) in provisions	(125,094)	158,351
<b>Cash flow from operations</b>	<b>(1,949,720)</b>	<b>(4,443,842)</b>

### (b) Non-cash investing activities

There were no non-cash investing activities during the year ended 30 June 2018 (2017: Nil).

### (c) Non-cash financing activities

There were no non-cash financing activities during the year ended 30 June 2018 (2017: Nil).

## 21. Parent Entity Disclosures

The following details information related to the parent entity, Manalto Limited, at 30 June 2018 and 2017. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2018 \$AUD	2017 \$AUD
Current assets	1,613,029	712,108
Non-current assets	-	-
<b>Total assets</b>	<b>1,613,029</b>	<b>712,108</b>
Current liabilities	637,613	2,241,976
Non-current liabilities	-	-
<b>Total Liabilities</b>	<b>637,613</b>	<b>2,241,976</b>
<b>Net Assets</b>	<b>975,416</b>	<b>(529,867)</b>
Contributed equity	56,717,109	53,352,222
Accumulated losses	(57,327,459)	(55,337,322)
Option reserve	1,511,741	1,381,209
Other reserve	74,024	74,024
<b>Total equity</b>	<b>975,415</b>	<b>(1,529,868)</b>
Loss for the year	(2,067,571)	(5,125,557)
Other comprehensive loss for the year	-	-
<b>Total comprehensive loss for the year</b>	<b>(2,067,571)</b>	<b>(5,125,557)</b>

## 22. Auditors' Remuneration

	Consolidated	
	2018 \$AUD	2017 \$AUD
Amounts paid/payable to Grant Thornton Audit Pty Ltd		
Audit and other assurance services		
- Auditing or reviewing the financial report	45,000	65,550
<b>Total</b>	<b>45,000</b>	<b>65,550</b>

## 23. Capital & Leasing Commitments

### (a) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

	Consolidated	
	2018 \$AUD	2017 \$AUD
Payable - minimum lease payments		
- not later than 12 months	-	87,267
- between 12 months and 5 years	-	63,820
<b>Total</b>	<b>-</b>	<b>151,087</b>

### (b) Capital commitments

There were no capital commitments at 30 June 2018 (2017: Nil).

### (c) Termination commitments

There were no termination commitments at 30 June 2018 (2017: Nil).

## 24. Segment Reporting

The following details information related to the geographical segment reporting for the year ended 30 June 2018. The Group only operates in one business segment, being the development and commercialisation of social media management technology. The geographical segments are monitored by the Group's chief operating decision maker. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

30 June 2018	Australia	USA	Ireland	South Africa	Netherlands	Total
Total segment external income	62,732	-	-	-	-	62,732
Discontinued operations	-	59,979	-	-	-	59,979
Total segment interest	740	-	-	-	-	740
Other income	17,168	-	-	-	-	17,168
Total segment expenses	(1,694,903)	(460,172)	-	(231,343)	(11,786)	(2,398,205)
Total segment loss	(1,614,263)	(400,193)	-	(231,343)	(11,786)	(2,257,586)
Total deferred tax assets	-	-	-	-	-	-
Total segment assets	1,613,030	10,270	872	-	-	1,624,172

The following details information related to the geographical segment reporting for the year ended 30 June 2017.

30 June 2017	Australia	USA	Ireland	South Africa	Netherlands	Total
Total segment external income	44,496	107,814	-	-	-	152,310
Total segment interest	-	66	-	-	-	66
Total segment expenses	(4,652,045)	(2,301,108)	(140,105)	(1,337,505)	(141,199)	(8,571,962)
Total segment loss	(4,607,548)	(2,193,227)	(140,105)	(1,337,505)	(141,199)	(8,419,584)
Total segment assets	714,821	261,652	2,452	166,460	-	1,145,385

## 25. Controlled Entities

All controlled entities are included in the annual financial report.

### Ownership interest held by the Group

Name of subsidiary	Country of Incorporation	30 June 2018	30 June 2017
<i>Manalto, Inc.</i>	United States	100%	100%
<i>Sóshlr Pty Ltd</i>	Australia	100%	100%
<i>Sóshlr South Africa (Pty) Ltd</i>	South Africa	100%	100%
<i>Sóshlr Limited</i>	Ireland	100%	100%
<i>Sóshlr B.V.</i>	Netherlands	100%	100%

Voting power in these entities is in proportion to ownership interest. All interests are in the ordinary shares of the subsidiaries.

## Status of liquidations

### *Ireland & Netherlands*

As previously announced, Manalto has made the irrevocable decision to liquidate its Irish & Netherlands subsidiaries and cease funding. As stated in the announcement of 20 December 2017, closure of the Ireland and Netherlands offices are underway. Manalto has appointed liquidators in both Ireland and Netherlands.

### *USA & South Africa*

Manalto has appointed liquidators in the USA who have confirmed filing in the USA was completed on 26 February 2018. Letters have been sent to all US creditors informing them of the US subsidiary's liquidation and that it is not anticipated there will be any remaining assets for distribution or payment to general unsecured creditors. A creditors meeting in the USA is due to be conducted in the coming months and representations from some creditors are expected. Besides the professional fees to be charged by Manalto's lawyers and accountants in handling this matter, there will be no funding of the US creditors and their claims by Manalto.

Manalto has appointed liquidators in South Africa who are continuing their work on this liquidation, in particular finalising outstanding tax lodgements. Besides the professional fees to be charged by Manalto's lawyers and accountants in handling this matter, there will be no funding of the South African creditors, revenue authority and their claims by Manalto.

## **26. Contingent Liabilities and Contingent Assets**

Included in the trade creditors balance as at 30 June 2018 is \$342,149 of which the directors believe were not contractual and not payable by the Company. The directors are confident that negotiations on these balances will be finalised and the invoices be settled accordingly. The board currently estimates a final settlement amount of \$125,000..

## **27. Events Subsequent to Reporting Date**

On 4 July 2018, Shareholder approved all resolutions put to a general meeting, for the issue of various securities.

On 13 July 2018, the Company's securities were reinstated to official quotation on ASX.

There has not arisen in the interval between the year ended 30 June 2018 and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors' of the Company, to materially affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future reporting periods.

## **Company Details**

The Registered Office and principal place of business of the company is:

**Manalto Limited**  
Level 11, London House  
216 St Georges Tce  
Perth WA 6000

# DIRECTOR DECLARATION

In the Directors' opinion:

1. The financial statements and notes set out on Pages 13 to 37 are in accordance with the *Corporations Act 2001*, including:
  - (a) Complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (b) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

The audited remuneration disclosures set out in Sections 4 of the Directors Report (as part of the Remuneration Report), for the year ended 30 June 2018, comply with Section 300A of the *Corporations Act 2001* and the *Corporations Regulations 2001*; and the notes to the financial statements include an explicit and unreserved statement of compliance with International Financial Reporting Standards.

The Directors have been given the declarations by the CFO and Executive Director required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



Terence Clee  
Chairman

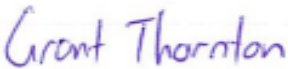
31 August 2018

## Auditor's Independence Declaration

To the Directors of Manalto Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Manalto Ltd for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M P Hingeley  
Partner – Audit & Assurance

Perth, 31 August 2018

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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# Independent Auditor's Report

To the Members of Manalto Ltd

Report on the audit of the financial report

## Opinion

We have audited the financial report of Manalto Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

## Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



**Material uncertainty related to going concern**

We draw attention to Note 1(c) in the financial statements, which indicates that the Group incurred a net loss of \$2,257,586 during the year ended 30 June 2018 and the Group is reliant on capital raising activities to continue as a going concern. As stated in Note 1(c), these events or conditions, along with other matters as set forth in Note 26, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p><b>Contingent Liability – Note 26</b></p> <p>Since the change in managerial control of the Company in September 2017 several claims have been made against the Company for the payment of outstanding liabilities from both former directors and creditors. The Company has elected to de-register or liquidate four international subsidiaries further increasing the risk of claims against the Company.</p> <p>The change in managerial control of the Company and reduced historical knowledge has increased the likelihood of potential claims against the Company that may need to be recorded or contingent liabilities disclosed.</p> <p>This area is a key audit matter due to management judgement involved in assessing the validity of a claim by a creditor and the complexity of the liquidation and de-registration process in each international jurisdiction.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• reviewed board minutes and ASX notices for clarity on status of restructuring;</li> <li>• reviewed legal invoices during and since the financial year ended 30 June 2018 for indicators of potential claims against the company which may warrant adjustment or disclosure as a contingent liability;</li> <li>• obtained solicitor's confirmations for all outstanding matters and considered if there was an indication of a potential liability or contingent liability disclosure;</li> <li>• confirmation of outstanding creditor values with solicitors;</li> <li>• challenged management judgement as to the validity of those creditors;</li> <li>• agreed statutory demands received and deeds of settlement to the general ledger; and</li> <li>• reviewed the legal advice obtained by the company in respect to the impact of liquidation or de-registration of the companies in each jurisdiction.</li> </ul>

**Information other than the financial report and auditor's report thereon**

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Directors' for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

#### Report on the remuneration report

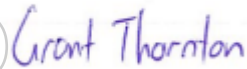
##### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 8 to 11 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Manalto Ltd, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

#### Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M P Hingeley  
Partner – Audit & Assurance

Perth, 31 August 2018

# ASX OTHER REQUIRED INFORMATION

## 1. SHAREHOLDINGS AS AT 10 AUGUST 2018

### (a) RANGE OF SHARES ISSUED

Range	Total holders	Units	% of Issued Capital
1 - 1,000	1,260	114,953	0.00
1,001 - 5,000	86	210,024	0.01
5,001 - 10,000	28	243,911	0.01
10,001 - 100,000	164	7,370,367	0.20
100,001 - 999,999,999	325	3,634,449,376	99.78
1,000,000,000 - 9,999,999,999	-	114,953	0.00
Rounding	-	-	-
<b>Total</b>	<b>1,863</b>	<b>3,642,388,631</b>	<b>100.00</b>
<b>Unmarketable Parcels</b>	<b>1,626</b>	<b>30,742,290</b>	
<b>Minimum \$500.00 parcel at \$ 0.001 per unit</b>	500,000	1,626	30,742,290

### (b) TOP 20 SHAREHOLDERS

Rank	Name	Units	% of Units
1	ANGLO MENDA PTY LTD	526,447,858	14.45
2	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	225,000,000	6.18
3	AUSTRALIAN SHARE NOMINEES PTY LTD <AUSTRALASIAN HOLDINGS A/C>	188,522,727	5.18
4	SUBURBAN HOLDINGS PTY LTD <THE SUBURBAN SUPER FUND A/C>	159,477,273	4.38
5	ASENNA WEALTH SOLUTIONS PTY LTD	129,752,791	3.56
6	MR KEVIN DANIEL LEARY + MRS HELEN PATRICIA LEARY <KEVIN & HELEN LEARY S/F A/C>	120,000,000	3.29
7	BSUT PTY LTD <BSUT FAMILY A/C>	100,000,000	2.75
7	CHIFLEY PORTFOLIOS PTY LTD <DAVID HANNON RETIREMENT A/C>	100,000,000	2.75
7	R A H (STC) PTY LIMITED	100,000,000	2.75
7	MR PAUL GABRIEL SHARBANEE <THE SCORPION FUND A/C>	100,000,000	2.75
11	MILLWEST INVESTMENTS PTY LTD <MILLWEST A/C>	92,989,434	2.55
12	REIAJA PTY LTD <KEYS FAMILY A/C>	74,000,000	2.03
13	CWS GROUP (AUST) PTY LTD	70,000,000	1.92
14	STATE ONE NOMINEES PTY LTD <ACCUMULATION A/C>	65,000,000	1.78
15	WISEVEST PTY LTD	60,000,000	1.65
16	BODIE INVESTMENTS PTY LTD	56,302,238	1.55
17	FAIRBORN HOLDINGS PTY LTD	55,882,386	1.53
18	MS TERRI WOLPERT	55,000,000	1.51
19	HORATIO STREET PTY LTD <HORATIO STREET FAMILY A/C>	50,000,000	1.37
19	MR STEPHEN GEORGE LEARY + MRS PENELOPE JOAN LEARY	50,000,000	1.37
19	MR MICHAEL BERNARD STEPHENS + MRS TAHLIA JAE STEPHENS <MB & TJ STEPHENS FAMILY A/C>	50,000,000	1.37
<b>Totals: Top 21 holders of ORDINARY FULLY PAID SHARES (Total)</b>		<b>2,428,374,707</b>	<b>66.67</b>
<b>Total Remaining Holders Balance</b>		<b>1,214,013,924</b>	<b>33.33</b>

## 2. Voting Rights

Shareholders are entitled to one vote for each share held. On a show of hands every shareholder presents in person or by proxy shall have one vote and upon a poll, every shareholder so present shall have one vote for every share held.

## 3. Unlisted Option Holdings

Number	Expiry Date	Exercise Price	Number of Holders	Holders >20%
4,550,000	11 March 2020	\$0.25	2	Anthony Owen 3,100,000 Megan Owen 1,450,000
1,268,151	15 December 2020	\$0.30	3	D & F Fletcher Super Pty Ltd 1,000,000
12,324,349	29 February 2020	\$0.20	23	Anthony Owen 8,295,233
2,004,610	29 February 2020	\$0.25	10	Anthony Owen 1,500,000
5,250,000	19 January 2020	\$0.07	5	Anthony Owen 1,500,000 Glenluce Properties Pty Ltd 1,500,000
1,913,333,334	21 March 2021	\$0.004	50	Nil

## 4. Substantial shareholders

The securities held by substantial shareholders are as follows:

Name:	Number of shares:	%
Adam Blumenthal	714,970,585	19.63%
J P MORGAN NOMINEES AUSTRALIA LIMITED	18,851,554	5.06%

# CORPORATE DIRECTORY

## **DIRECTORS**

Terence Clee  
James Ellingford  
Tim Wilson

## **COMPANY SECRETARY**

Aida Tabakovic

## **REGISTERED OFFICE**

Level 11, London House  
216 St Georges Terrace  
Perth WA 6000  
Telephone (08) 9481 0389

## **POSTAL ADDRESS**

GPO Box 2517  
Perth WA 6831

## **SHARE REGISTRY**

Computershare Investor Services Pty Limited  
ABN 48 078 279 277  
Yarra Falls  
452 Johnston St  
Abbotsford VIC 3067  
Telephone 1300 850 505

## **AUDITORS**

Grant Thornton Audit Pty Ltd  
Central Park  
Level 43, 152-158 ST Georges Terrace  
Perth WA 6000

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