Adveritas Limited
ABN 88 156 377 141

Half-Year Financial Report
31 December 2021

Adveritas Limited
Corporate directory

Directors

Non-Executive Chairman	Mr Stephen Belben
Managing Director and Chief Executive Officer	Mr Mathew Ratty
Non-Executive Directors	Mr Renaud Besnard Mr Mark McConnell Mr Andrew Stott

Company Secretary

Ms Susan Park

Registered and Principal Office

Suite 10, 16 Brodie Hall Drive
Bentley WA 6102

Telephone: +61 8 9473 2500
Facsimile: +61 8 9473 2501

Share Registry

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth WA 6000
Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

Securities Exchange Listing

Adveritas Limited shares are listed on the Australian Securities Exchange (ASX: AV1)

Solicitors

Steinepreis Paganin
Level 4, The Read Building
16 Milligan Street
Perth WA 6000

Bankers

Commonwealth Bank of Australia Limited
150 St Georges Terrace
Perth WA 6000

Auditors

Ernst & Young
The EY Building
11 Mounts Bay Road
Perth WA 6000

Reporting period

Current period:	Half-year ended 31 December 2021
Previous corresponding period:	Half-year ended 31 December 2020

Results for announcement to market

Revenue from ordinary activities	up	108%	to	$959,969	from	$462,258
Loss from ordinary activities after tax attributable to members	down	22%	to	($4,525,141)	from	($5,771,314)
Net loss for the period attributable to members	down	22%	to	($4,525,141)	from	($5,771,314)

Dividends

	Amount per share	Franked amount per share
Final	$ nil	n/a
Interim	$ nil	n/a

Record date for determining entitlements to dividends: n/a

Brief explanation necessary to enable the figures above to be understood

Refer to Directors' Report.

Net tangible assets

31 December 2021	Net tangible asset backing: 1.29 cents per share[1]
31 December 2020	Net tangible asset backing: 1.61 cents per share[1]

Notes:

1. This calculation excludes right of use assets and the associated lease liabilities

Other

The Company has no equity interests in any associates or joint ventures.

Accounting standards used in relation to the Company's foreign subsidiaries in compiling this financial report are the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The directors present their report together with the financial report of Adveritas Limited (**Adveritas** or **Company**) and its controlled entities (collectively referred to as **the Group**) for the half-year ended 31 December 2021 and the independent auditor's review thereon.

Directors

The names of the Company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Mr Stephen Belben (Non-Executive Chairman)
Mr Mathew Ratty (Managing Director and Chief Executive Officer)
Mr Renaud Besnard
Mr Mark McConnell
Mr Andrew Stott

Principal Activities

The Company's principal activity during the period was the provision of comprehensive digital advertising fraud detection and prevention services through its software as a service, TrafficGuard.

Review of operating results

Sales momentum

The Group has continued with its strong growth trajectory from the last financial year, recording revenue of $959,969 during the current half-year period which is 108% higher than the corresponding period in the prior year. In addition, annualised revenue at 31 December 2021 was circa $1,720,000, up 68% from 30 June 2021.

The Group continues to rapidly grow its Freemium subscribers, a strong leading indicator of future revenue growth. The Freemium subscriber base provides a paying customer pipeline with significant cross and upsell potential, and a rich data set across multiple industry verticals and markets, enhancing the value of the TrafficGuard global, proprietary anti-fraud database.

Over the current half year period, Freemium subscribers increased by approximately 41% to over 3,780, providing a large base of users to convert into paying customers.

Industry Recognition

In July 2021, TrafficGuard was recognised as a finalist for the Marketing Technology Company of the Year at the Mumbrella Awards 2021 ceremony. The Mumbrella awards celebrate the best work and talent throughout Australia and New Zealand's marketing, advertising, media, production, PR and communications industries.

In November 2021, TrafficGuard won Mobile Marketing's 2021 award for Most Effective Anti-Fraud Solution. Each year, the Mobile Marketing Association recognises leaders and innovators in the mobile marketing industry and honours them at their annual awards ceremony. The winners, judged on strategy, execution, creativity and results, highlight mobile marketing industry successes from around the globe.

Consistent with the last financial year, TrafficGuard was named as a top performer by Sourceforge.

Sound balance sheet

During the half year period, the Group raised approximately $8,000,000 through a combination of options being exercised ($3,593,543 and placements to sophisticated and professional investors ($4,400,000). The cash balance at 31 December 2021 was $6,436,037.

Operating result

The Group recorded a loss before tax of $4,538,934 which is approximately 20% lower than the loss of $5,771,314 reported in the comparative period

In the comparative period, the Group's other income included COVID relief receipts of $395,950 which the Group did not receive during the current period either because the relief packages had come to an end or because the Group no longer qualified for financial assistance,

Overheads were 8% higher in the current period than in the comparative period. The areas where significant fluctuations occurred were:

- Server hosting costs: the increase in server hosting costs is mainly due to the increase in the volume of transactions processed. On average, the Group processed 7.2 billion transactions per month in the current period compared to 4.2 billion transactions in the comparative period.
- Employment costs: the increase in employment costs relates mainly to the expansion of the sales team and the higher recruitment fees that were incurred to drive the expansion. In addition, commission paid to sales personnel was higher than in the comparative period due to higher revenue.
- Marketing expenditure was approximately 61% lower than the comparative period due to the strategic decision to delay significant expenditure until the commencement of the Chief Marketing Officer in January 2022.
- Bad and doubtful debts: during the current period, the Group received payment of long overdue invoices from a former customer, Mpire Network Inc. As a result, expected credit losses of $256,487 were reversed and invoices totalling $97,812 were written off as bad debts.

Other expenses were 92% lower in the current period than in the comparative period. This decrease is largely due to the timing of recognition of share-based payments and the reversal of expected credit losses. The credit losses related to a deferred consideration receivable from the sale of the Group's performance marketing business in July 2018, and have been partially reversed based on a payment plan agreed with ClearPier Inc, the purchaser of the performance marketing business.

	31 December 2021 $	31 December 2020 $
Revenue	**959,969**	462,258
Other income	**22,994**	407,344
Overheads		
Server hosting costs	**(1,023,780)**	(750,140)
Administration costs	**(297,013)**	(258,579)
Compliance costs	**(136,554)**	(166,273)
Consultancy costs	**(272,049)**	(354,952)
Employment costs	**(3,570,381)**	(2,982,745)
Occupancy costs	**(54,681)**	(34,282)
Marketing costs	**(181,223)**	(424,760)
Reversal of expected credit losses (trade debtors)	**256,487**	-
Bad debt expense	**(97,812)**	-
Finance costs	**(20,782)**	(24,134)
	(5,397,788)	(4,995,865)
Other expenses		
Foreign exchange differences	**11,208**	(223,538)
Depreciation	**(66,185)**	(68,442)
Share based payments	**(377,362)**	(1,353,071)
Reversal of expected credit losses (deferred consideration)	**308,230**	-
	(124,109)	(1,645,051)
Loss before income tax	**(4,538,934)**	(5,771,314)

Rounding of amounts

Amounts in this report and the financial report have been rounded to the nearest dollar, unless otherwise indicated.

Auditor's independence declaration

The Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is included following the Directors' Report and forms part of the Directors' Report.

Directors' authorisation

This report is made in accordance with a resolution by the Board of Directors and is signed by authority for and behalf of the directors.

Mathew Ratty
Managing Director

Perth, Western Australia
24 February 2022

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's independence declaration to the directors of Adveritas Limited

As lead auditor for the review of the financial report of Adveritas Limited for the half-year ended 31 December 2021, I declare 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 review;

b) no contraventions of any applicable code of professional conduct in relation to the review; and

c) no non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Adveritas Limited and the entities it controlled during the financial period.

Ernst & Young

Mark Cunningham
Partner
24 February 2022

	Note	For the six months ended 31 December 2021 $	31 December 2020 $
Revenue	**4**	**959,969**	462,258
Other income	**5(a)**	**22,994**	407,344
Overheads			
Server hosting costs		**(1,023,780)**	(750,140)
Administration costs	**5(e)**	**(297,013)**	(258,579)
Compliance costs	**5(f)**	**(136,554)**	(166,273)
Consultancy costs	**5(d)**	**(272,049)**	(354,952)
Employment costs	**5(b)**	**(3,570,381)**	(2,982,745)
Occupancy costs	**5(c)**	**(54,681)**	(34,282)
Marketing costs		**(181,223)**	(424,760)
Reversal of expected credit losses (trade debtors)	**5(g)**	**256,487**	-
Bad debts expense	**5(g)**	**(97,812)**	-
Finance costs		**(20,782)**	(24,134)
		(5,397,788)	(4,995,865)
Other expenses			
Foreign exchange gains / (losses)		**11,208**	(223,538)
Depreciation		**(66,185)**	(68,442)
Share based payments	**10**	**(377,362)**	(1,353,071)
Reversal of expected credit losses (non-trade debtors)	**5(g)**	**308,230**	-
		(124,109)	(1,645,051)
Loss before income tax		**(4,538,934)**	(5,771,314)
Income tax benefit / (expense)	**6**	**13,793**	-
Loss for the period attributable to the members of Adveritas Limited		**(4,525,141)**	(5,771,314)
Other comprehensive income net of tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**750**	183,594
Total comprehensive loss for the period attributable to the members of Adveritas Limited		**(4,524,391)**	(5,587,720)
Loss per share attributable to the members of Adveritas Limited			
Basic loss per share (cents)		**(1.12)**	(1.72)
Diluted loss per share (cents)		**(1.12)**	(1.72)

	Note	As at 31 December 2021 $	30 June 2021 $
Assets			
Current assets			
Cash and cash equivalents	7	6,436,037	3,231,414
Trade and other receivables	8	555,020	343,094
Prepayments		202,312	192,746
Total current assets		7,193,369	3,767,254
Non-current assets			
Plant and equipment		60,966	44,914
Right-of-use assets	9	454,742	505,268
Total non-current assets		515,708	550,182
Total assets		7,709,077	4,317,436
Liabilities			
Current liabilities			
Trade and other payables		950,769	1,327,471
Income tax payable		-	13,446
Interest bearing liabilities	9	111,240	103,110
Provisions		551,218	539,696
Total current liabilities		1,613,227	1,983,723
Non-current liabilities			
Interest bearing liabilities	9	419,384	468,950
Provisions		49,312	62,560
Total non-current liabilities		468,696	531,510
Total liabilities		2,081,923	2,515,233
Net assets		5,627,154	1,802,203
Equity			
Contributed equity	14	51,401,862	43,237,080
Accumulated losses		(51,093,723)	(46,568,582)
Share based payment reserve		5,279,502	5,094,942
Foreign currency translation reserve		39,513	38,763
Total equity		5,627,154	1,802,203

	Note	For the six months ended 31 December 2021 $	31 December 2020 $
Cash flows from operating activities			
Receipts from customers		**1,072,658**	504,004
Payments to suppliers and employees		**(5,919,333)**	(4,891,660)
Other income received		**21,113**	533,876
Interest received		**1,712**	8,937
Interest paid		**(20,782)**	(24,134)
Net cash flows used by operating activities		**(4,844,632)**	(3,868,977)
Cash flows from investing activities			
Purchase of plant and equipment		**(23,097)**	(6,989)
Proceeds on disposal of plant and equipment		**1,624**	1,292
Proceeds on disposal of controlled entity		**129,252**	-
Deposit paid: leased premises		**(1,472)**	-
Net cash flows used / inflows generated by investing activities		**106,307**	(5,697)
Cash flows from financing activities			
Proceeds from issues of shares		**7,993,543**	2,393,000
Share issue costs paid		**(18,950)**	(49,588)
Lease liability payments		**(41,436)**	(38,083)
Net cash flows provided by financing activities		**7,933,157**	2,305,329
Net decrease in cash and cash equivalents		**3,194,832**	(1,569,345)
Cash and cash equivalents at the beginning of the period		**3,231,414**	8,351,840
Effect of exchange rate changes on cash and cash equivalents		**9,791**	(63,316)
Cash and cash equivalents at the end of the period		**6,436,037**	6,719,179

	Contributed equity	Accumulated losses	Share based payments reserve	Foreign currency translation reserve	Total equity
	$	$	$	$	$
Balance at 1 July 2021	**43,237,080**	**(46,568,582)**	**5,094,942**	**38,763**	**1,802,203**
Loss for the half-year	-	(4,525,141)	-	-	(4,525,141)
Other comprehensive income					
Net foreign exchange differences arising on translation of foreign operations	-	-	-	750	750
Total comprehensive loss for the half-year	**-**	**(4,525,141)**	**-**	**750**	**(4,524,391)**
Ordinary shares issued	4,400,000	-	-	-	4,400,000
Share issue costs	(21,563)	-	-	-	(21,563)
Shares issued on conversion of performance rights	192,802	-	(192,802)	-	-
Shares issued on conversion of options	3,593,543	-	-	-	3,593,543
Share based payments expense	-	-	377,362	-	377,362
Transactions with equity holders in their capacity as owners	**8,164,782**	**-**	**184,560**	**-**	**8,349,342**
Balance at 31 December 2021	**51,401,862**	**(51,093,723)**	**5,279,502**	**39,513**	**5,627,154**
Balance at 1 July 2020	39,941,684	(37,569,619)	5,166,535	40,537	7,579,137
Loss for the half-year	**-**	**(5,771,314)**	**-**	**-**	**(5,771,314)**
Other comprehensive income					
Net foreign exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**183,594**	**183,594**
Transactions with equity holders in their capacity as owners	**3,011,597**	**-**	**711,436**	**-**	**3,723,033**
Ordinary shares issued	2,393,000	-	-	-	2,393,000
Share issue costs	(23,038)	-	-	-	(23,038)
Shares issued on conversion of performance rights	641,635	-	(641,635)	-	-
Share based payments expense	-	-	1,353,071	-	1,353,071
Transactions with equity holders in their capacity as owners	5,524,708	-	482,621	-	6,007,329
Balance at 31 December 2020	**42,953,281**	**(43,340,933)**	**5,877,971**	**224,131**	**5,714,450**

1. Corporate information

The interim consolidated financial statements of Adveritas Limited and its subsidiaries (collectively, **the Group**) for the six months ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 24 February 2022.

Adveritas Limited (**Company**) is a for-profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. The principal activity of the Group is the provision of digital advertising fraud detection and prevention services through its software as a service, TrafficGuard.

2. Basis of preparation

a) General information

The interim consolidated financial statements for the six months ended 31 December 2021 have been prepared in accordance with AASB 134 *Interim Financial Reporting*.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2021.

The half-year consolidated financial statements are presented in Australian dollars.

b) Accounting policies, disclosures, standards and interpretations

Basis of preparation

The Group has not early adopted any of the accounting standards that have been issued but are not yet effective as of balance date. The Group will assess the impact of these new standards during the reporting period to which they are applicable. The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2021, other than as set out below.

New standards, interpretations and amendments adopted by the Group

(i) Amendments to IAS1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments will be applied retrospectively.

The Group does not anticipate any impact on its consolidated financial statements.

b) Significant estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Refer to the most recent annual financial report for the year ended 30 June 2021 for a discussion of the significant estimates and judgments.

2. Basis of preparation (continued)

c) Going concern

This financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

During the half-year ended 31 December 2021, the Group incurred a net loss after tax of $4,525,141 and a net cash outflow from operating activities of $4,844,632. The cash and cash equivalents balance as at 31 December 2021 was $6,436,037. The Group's net current asset position at 31 December 2021 was $5,580,142.

The ability of the Group to pay its trade creditors, employee entitlements, and continue its planned activities and maintain its going concern status is dependent on the Group generating sufficient revenues and raising additional funds, as required. As at the date of this report, the directors are satisfied that there are reasonable grounds to believe that the Group will be able to operate as a going concern by generating sufficient revenues and raising further funds as required. In forming this view, the directors have considered the ability of the Company to generate sufficient revenues and raise funds by way of a capital raising.

There are inherent uncertainties associated with the successful completion of a capital raising. Should the directors not be able to manage these inherent uncertainties and successfully secure funding, there would be significant uncertainty as to whether the Group would be able to meet its debts as and when they fall due and therefore continue as a going concern.

These consolidated financial statements do not include any adjustments relating to the recoverability or classification of recorded asset amounts nor to the amounts or classifications of liabilities that might be necessary should the Group not be able to continue as a going concern.

3. Segment information

The Group's operating segments comprise:

- **Technology:** responsible for the development and maintenance of the Group's proprietary software offerings. These activities are conducted primarily at the Group's Australian head office and at its office in Croatia; and

- **Sales and marketing:** responsible for deploying the Group's sales and marketing initiatives and for providing ongoing customer service. These activities are carried out by sales and marketing personnel and consultants located in Australia, Singapore, England, Latin America, the United States and the UK.

Costs allocated to the "other" segment include:
- Occupancy costs and general office administration costs for the Perth head office; and
- Employment costs relating to corporate and management team located in Perth.

The board of directors review internal management reports on a monthly basis that are consistent with the information provided in the Consolidated Statement of Profit and Loss and Other Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows. As a result, no reconciliation is required because, in aggregate, the information as presented is what is used by the board to make strategic decisions. No operating segments have been aggregated.

3. Segment information (continued)

For the six months ended 31 December 2021	Technology	Sales and marketing	Other	Consolidated
	$	$	$	$
Revenue	-	959,969	-	959,969
Other income	-	18,152	2,910	21,062
Overheads	(2,600,539)	(1,500,870)	(1,275,597)	(5,377,006)
Other expenses	-	-	(57,924)	(57,924)
EBITDA	(2,600,539)	(522,749)	(1,330,611)	(4,453,899)
Reconciliation of reportable segment loss				
EBITDA	(2,600,539)	(522,749)	(1,330,611)	(4,453,899)
Interest income	-	-	1,932	1,932
Interest expense	(13,306)	-	(7,476)	(20,782)
Depreciation	(45,064)	(1,851)	(19,270)	(66,185)
Income tax benefit	-	13,793	-	13,793
Loss after income tax	(2,658,909)	(510,807)	(1,355,425)	(4,525,141)

For the six months ended 31 December 2020	Technology	Sales and marketing	Other	Consolidated
	$	$	$	$
Revenue	-	462,258	-	462,258
Other income	-	-	398,876	398,876
Overheads	(2,267,648)	(1,470,627)	(1,202,668)	(4,940,943)
Other expenses	-	-	(1,607,397)	(1,607,397)
EBITDA	(2,267,648)	(1,008,369)	(2,411,189)	(5,687,206)
Reconciliation of reportable segment loss				
EBITDA	(2,267,648)	(1,008,369)	(2,411,189)	(5,687,206)
Interest income	-	-	8,468	8,468
Interest expense	(15,452)	-	(8,682)	(24,134)
Depreciation	(48,174)	(645)	(19,623)	(68,442)
Loss after income tax	(2,331,274)	(1,009,014)	(2,431,026)	(5,771,314)

The following tables present assets and liabilities information for the Group's operating segments as at 31 December 2021 and 30 June 2021, respectively.

As at 31 December 2021	Technology	Sales and marketing	Other	Consolidated
	$	$	$	$
Assets	1,675,073	428,035	5,605,969	7,709,077
Liabilities	1,036,321	164,487	881,115	2,081,923

As at 30 June 2021	Technology	Sales and marketing	Other	Consolidated
	$	$	$	$
Assets	1,336,126	324,352	2,656,958	4,317,436
Liabilities	1,407,811	255,258	852,164	2,515,233

3. Segment information (continued)

Geographic information

	Consolidated	
	For the six months ended	
	31 December 2021 $	31 December 2020 $
Revenue from external customer by customer location[1]:		
Australia	**139,278**	72,515
Foreign countries (refer to note 4 for further details)	**820,691**	389,743
	959,969	462,258
Non-current operating assets by location[2]:		
Australia	**48,104**	57,205
United States	**344**	1,922
Asia Pacific	**3,372**	-
Europe	**1,787**	-
Other	**7,359**	3,824
Total	**60,966**	62,951

Notes:

1. Included in revenue from foreign countries is the revenue arising from sales in the sales and marketing segment from one customer which amounted to $146,864 (31 December 2020: $184,836).
2. Non-current assets for this purpose consist of property, plant and equipment.

4. Revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers.

	Consolidated	
	For the six months ended	
	31 December 2021 $	31 December 2020 $
Revenue by type of goods or services		
Revenue from the sale of software as a service	959,969	**462,258**
Total revenue from contracts with customers	**959,969**	**462,258**
Revenue by timing of revenue recognition		
Services transferred over time	**959,969**	462,258
Total revenue from contracts with customers	**959,969**	462,258
Revenue by geographical region		
North America	**71,659**	52,549
Latin America	**97,958**	236,593
Asia Pacific	**294,324**	76,336
Europe	**345,919**	1,064
Australia	**139,278**	72,515
Other	**10,831**	23,201
Total revenue from contracts with customers	**959,969**	462,258

5. Other income and expense items

This note provides a breakdown of the items included in other income, various overheads and other expenses shown in the Statement of Profit or Loss and Other Comprehensive Income.

		Consolidated	
		For the six months ended	
		31 December 2021 $	31 December 2020 $
(a)	**Other income**		
	Interest income	**1,932**	8,468
	JobKeeper and Cash Flow Booster stimulus income	**-**	378,450
	Pay-roll tax rebate	**-**	17,500
	Miscellaneous income	**21,062**	2,926
		22,994	407,344
(b)	**Employment costs**		
	Salaries and wages	**2,962,584**	2,489,547
	Ancillary employment costs	**445,011**	486,762
	Other	**162,786**	6,436
		3,570,381	2,982,745
(c)	**Occupancy costs**		
	Rent and variable outgoings	**33,813**	19,023
	Other	**20,868**	15,259
		54,681	34,282
(d)	**Consultancy costs**		
	Legal	**129,046**	282,127
	Investor relations	**45,490**	24,092
	Other	**97,513**	48,733
		272,049	354,952
(e)	**Administration costs**		
	IT costs	**185,509**	178,362
	Office and general administration costs	**106,606**	73,045
	Travel	**4,898**	7,172
		297,013	258,579
f)	**Compliance costs**		
	Accounting fees	**5,247**	5,395
	ASX compliance fees	**76,704**	91,252
	Audit, tax advice and compliance fees	**54,040**	69,080
	Regulatory body fees	**563**	546
		136,554	166,273
(g)	**Expected credit losses and bad debt expense**		
	Trade receivables: bad debt expense	**97,812**	-
	Trade receivables: reversal of expected credit loss	**(256,487)**	-
		(158,675)	-
	Other receivables: reversal expected credit loss	**(308,230)**	-
		(308,230)	-

6. Income tax expense

The Group calculates the income tax for the period using the tax rate that would be applicable to the expected total annual earnings. The income tax amount applicable to the accounting loss before income tax at the statutory income tax rate is reconciled to the income tax amount at the Company's effective income tax rate for the period below:

	Consolidated	
	For the six months ended	
	31 December 2021 $	31 December 2020 $
Accounting loss before tax	**(4,538,934)**	(5,771,314)
Income tax benefit at the statutory income tax rate of **27.5**% (2020: 27.5%)	**1,248,207**	1,587,111
Adjusted for:		
Over provision for income tax in a prior year	**13,793**	-
Non-deductible share-based payments	**(103,775)**	(372,094)
Other non-deductible amounts	**(3,817)**	(15,699)
Non-assessable income	**-**	20,625
Tax losses and temporary differences not recognised as a deferred tax asset	**(1,150,927)**	(1,219,943)
Difference between the Australian statutory income tax rate and the statutory income tax rate applicable to foreign operations	**10,312**	-
Income tax benefit	**13,793**	-

7. Cash and cash equivalents

	Consolidated	
	31 December 2021 $	30 June 2021 $
Cash at bank on hand	**6,436,037**	3,231,414

Cash at bank and on hand earns interest at floating rates based on daily at call bank deposit and savings rates.

8. Trade and other receivables

	Consolidated	
	31 December 2021 $	30 June 2021 $
CURRENT		
Trade receivables (a)	**281,070**	480,435
Allowance for expected credit losses (b)	**-**	(256,487)
Net trade receivables	**281,070**	223,948
Deferred consideration receivable (e)	**438,617**	567,869
Allowance for expected credit loss (b)	**(259,639)**	(567,869)
Net deferred consideration receivable	**178,978**	-

8. Trade and other receivables (continued)

	Consolidated	
	31 December 2021 $	30 June 2021 $
Income tax refund receivable	**15,997**	16,266
Sundry receivables	**13,292**	970
Deposits	**38,781**	37,309
GST receivable	**26,902**	64,601
Other receivables	**94,972**	119,146
	555,020	343,094

(a) Trade receivables

Trade receivables are amounts due from customers for the sale of the Group's software as a service. Trade receivables are generally due for settlement within 45 days and are therefore classified as current assets. The Group's accounting policies for trade receivables are outlined in Notes 2(k) and 2(u) of Group's annual financial statements for the year ended 30 June 2021.

(b) Allowance for expected credit losses

The movement in the allowance for expected credit losses is set out below:

	Consolidated	
	31 December 2021 $	30 June 2021 $
Allowance for expected credit losses: trade receivables		
Opening balance	**256,487**	279,633
Reversal of expected credit losses recognised in a prior period	**(256,487)**	-
Impact of movement in foreign exchange rates		(23,146)
Closing balance	**-**	256,487

	Consolidated	
	31 December 2021 $	30 June 2021 $
Allowance for expected credit losses: deferred consideration		
Opening balance	**567,869**	567,869
Reversal of expected credit losses recognised in a prior period	**(308,230)**	-
Closing balance	**259,639**	567,869

(c) Fair values of trade and other receivables

The fair value of trade and other receivables is assumed to approximate their carrying amounts due to their relatively short-term nature.

(d) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in Note 18 of the Group's annual financial statements for the year ended 30 June 2021.

(e) Deferred consideration receivable

The deferred consideration receivable relates to the disposal of Mpire Network Inc. on 31 July 2018.

9. Right of use assets

The Group is the lessee in lease contracts for office premises and various items of office equipment. Leases of office premises generally have lease terms of between 1 and 10 years, while office equipment generally has a lease term between 1 and 2 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

In the case of leases of office premises and low value office equipment with lease terms of 12 months or less, the Group has applied the 'short-term lease' and 'lease of low-value assets' recognition exemptions under AAS16 on leases. In the case of leases of office premises with lease terms over 12 months, the Group has recognised a right-of-use asset and an associated lease liability.

Set out below are the carrying amounts of right-of-use assets and the movements during the period:

	Consolidated	
	Half-year ended 31 December 2021 $	Year-ended 30 June 2021 $
Office Premises:		
Opening balance	**505,268**	606,322
Depreciation expense	**(50,526)**	(101,054)
Closing balance	**454,742**	505,268

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Consolidated	
	31 December 2021 $	30 June 2021 $
Lease Liabilities:		
Opening balance	**572,060**	648,275
Interest expense	**20,782**	48,269
Lease payments	**(62,218)**	(124,484)
Closing balance	**530,624**	572,060
Current lease liabilities	**111,240**	103,110
Non-current lease liabilities	**419,384**	468,950
	530,624	572,060

The following are the amounts recognised in profit or loss in relation to leased assets:

	Consolidated	
	31 December 2021 $	31 December 2020 $
Right-of-use-assets		
Depreciation of right-of-use-assets	**50,526**	50,527
Interest expense on lease liabilities associated with right-of-use-assets	**20,782**	24,134
Short term or low value asset leases		
Included in occupancy costs		
Rent expense - short-term lease	**33,813**	19,023
Included in administration costs		
Rent expense - low-value assets	**750**	875
Total amount recognised in profit and loss	**105,871**	94,559

The Group had total cash outflows for leases of $62,218 in the current period (2020: $62,217).

9. Right of use assets (continued)

The Group has a lease contract that includes termination options. These options were negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these termination options are reasonably certain to be exercised (refer to Group's annual financial statements for the year ended 30 June 2021, Note 10).

10. Share-based payments

The share-based payments expense recognised during the period is comprised as follows:

	31 December 2021		31 December 2020	
	Number issued	$	Number issued[2]	$
Options granted as consideration for investor relations services	-	-	1,500,000	91,456
Options granted to non-executive directions	-	-	5,000,000	289,154
Shares issued under Employee Share Plan in FY18[1]	-	-	-	1,644
Performance rights granted (classes H-O)[1,2]	-	-	-	(115,846)
Performance rights granted (classes P-R)[1]	-	-	-	358,705
Performance rights granted (class S)[1]	-	**180,303**	-	264,700
Performance rights granted (class T)[1]	-	**43,278**	9,000,000	449,183
Options granted under the Performance Rights and Options Plan in FY19[1]	-	-	-	14,075
Performance rights granted (class U)[1]	**20,500,000**	**266,818**	-	-
Performance rights lapsed (class S)[3]	-	**(113,037)**	-	-
		377,362		1,353,071

Notes:

1. There are vesting conditions attached to these securities. The fair value at grant date is recognised over the vesting period.
2. In the prior period, the probability of achieving the milestones attached to these performance rights was reduced, resulting in a credit to the share-based payments expense.
3. In the current period, these performance rights expired prior to the performance milestone being achieved, resulting in a credit to the share-based payments expense.

Options

For the six months ended 31 December 2021, a share-based payments expense of nil was recognised in relation to options as no options were granted during the period (2020: 6,500,000 options issued and $380,610 recognised as a share-based payments expense). The weighted average fair value of options granted during the six months ended 31 December 2021 was nil (2020: $0.06).

The fair value at grant date of the options issued in the prior period was estimated using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted and the following assumptions:

	Granted in the period ended 31 December 2020	
Number of options granted	5,000,000	1,500,000
Exercise price	$0.15	$0.18
Contractual life	3 years	2 years
Expiry date	3/07/2023	17/11/2022
Dividend yield	0.00%	0.00%
Expected volatility	92.25%	94.99%
Risk-free interest rate	0.26%	0.10%

10. Share-based payments (continued)

Performance Rights

During the period, 20,500,000 performance rights were granted to key management personnel and employees (2020: 9,000,000).

For the six months ended 31 December 2021, a share-based payments expense of $266,818 was recognised in relation to performance rights granted during the period (2020: $449,183).

The fair value at grant date was estimated using the Black-Scholes pricing model, taking into account the terms and conditions upon which the performance rights were granted and the following assumptions:

31 December 2021

	Class U	Class U	Class U	Class U
Exercise price	Nil	Nil	Nil	Nil
Expiry date	31/03/2023	31/03/2023	31/03/2023	31/03/2023
Dividend yield	0.00%	0.00%	0.00%	0.00%
Expected volatility	67.43%	67.44%	68.06%	67.44%
Risk-free interest rate	0.60%	0.57%	0.53%	0.57%

31 December 2020

	Class T	Class T
Exercise price	Nil	Nil
Expiry date	30/06/2023	30/06/2023
Dividend yield	0.00%	0.00%
Expected volatility	92.25%	87.74%
Risk-free interest rate	0.26%	0.27%

Employee Incentive Share Plan

Under the Employee Incentive Share Plan, eligible employees may be granted fully paid ordinary shares up to the value of $1,000 in the Company annually for no cash consideration. The number of shares issued to participants in the scheme is calculated at $1,000 divided by the weighted average closing price of the Company's share price based on the closing ASX market prices over the five trading days before, but not including, the issue date, rounded down to the nearest whole number.

No shares were issued during the current period (2020: nil). The share-based payment expense is recognised over the period of employment of the eligible employees. No amount was recognised in the current period (2020: $1,644).

11. Financial instruments

The Group's principal financial instruments comprise receivables, payables and cash and cash equivalents which arise directly from its operations.

Fair values
Fair values of financial assets and liabilities approximate to carrying values due to their short term to maturity.

12. Related party disclosure

The interim consolidated financial statements include the financial statements of Adveritas Limited and the entities listed in the following table.

	Country of incorporation	% Equity interest	
		31 December 2021	31 December 2020
Livelynk Group Pty Ltd[1]	Australia	100	100
TrafficGuard Pty Ltd[2]	Australia	100	100
TrafficGuard APAC Pte Ltd[2]	Singapore	100	100
TrafficGuard US Inc[2,]	United States	100	100
Appenture d.o.o[2]	Croatia	100	100
TrafficGuard UK[2, 3]	United Kingdom	100	-

Notes:
1. equity interest is held directly by Adveritas Limited.
2. equity interest is held directly by Livelynk Group Pty Ltd.
3. TrafficGuard UK was incorporated on 19 August 2021

13. Commitments and contingencies

a) Lease Commitments – Group as lessee

Future minimum rentals payable under non-cancellable operating leases are as follows:

	Consolidated	
	31 December 2021	30 June 2021 $
Within one year	**3,606**	3,585
More than one year	**-**	-
	3,606	3,585

b) Property, Plant and Equipment Commitments

At balance date, the Group had no contractual obligations to purchase plant and equipment (30 June 2021: nil).

c) Contingent Liabilities

At balance date, the Group had no pending legal claims or other contingent liabilities (30 June 2021: nil).

14. Contributed equity

a) Issued capital

	Consolidated	
	31 December 2021 $	30 June 2021 $
Ordinary shares, fully paid	**51,401,862**	43,237,080

14. Contributed equity (continued)

b) Movements in share capital

	31 December 2021		30 June 2021	
	Number	$	Number	$
Balance at the beginning of the period	**358,923,075**	**43,237,080**	320,386,408	39,941,684
Shares issued on exercise of performance rights	**2,000,000**	**192,802**	9,250,000	930,837
Shares issued on exercise of unlisted options	**-**	**-**	2,620,000	393,000
Shares issued on exercise of listed options	**35,935,430**	**3,593,543**	-	-
Shares issued pursuant to a placement at $0.075 per share[1]	**-**	**-**	26,666,667	2,000,000
Shares issued pursuant to a placement at $0.10 per share[1]	**30,000,000**	**3,000,000**	-	-
Shares issued pursuant to a placement at $0.10 per share[1]	**14,000,000**	**1,400,000**	-	-
Shares issue costs[2]	**-**	**(21,563)**	-	(28,441)
Balance at the end of the period	**440,858,506**	**51,401,862**	358,923,075	43,237,080

Notes:
1. Placements were made to sophisticated and professional investors.
2. Share issue costs is made up as follows:

	Consolidated	
	31 December 2021	30 June 2021
	$	$
Share issue costs paid during the period/ year	**(18,950)**	(25,602)
Share issue costs included in trade and other payables at balance date	**(2,613)**	(2,839)
	(21,563)	(28,441)

c) Ordinary Shares

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

15. Events after the balance sheet date

No event has arisen since 31 December 2021 that would be likely to materially affect the operations of the Group or its state of affairs which has not otherwise been accounted for or disclosed in this financial report.

In accordance with a resolution of the directors of Adveritas Limited, I state that:

In the opinion of the directors:

(a) The consolidated financial statements and notes of Adveritas Limited for the half-year ended 31 December 2021 are in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and

    (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

(b) Subject to note 2(c), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board.

Mathew Ratty
Managing Director

Perth, Western Australia
24 February 2022

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Building a better working world

Independent auditor's review report to the members of Adveritas Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Adveritas Limited (the Company) and its subsidiaries (collectively the Group), which comprises the interim consolidated statement of financial position as at 31 December 2021, the interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

We draw attention to Note 2(c) in the financial report, which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

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

Building a better working world

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2021 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Ent+Y

Ernst & Young

Mark Cunningham
Partner
Perth
24 February 2022