

SQID Technologies Limited

ABN 44 121 655 472

Condensed Consolidated Interim Financial Statements

For the Half Year Ended 31 December 2016

SQID Technologies Limited

ABN 44 121 655 472

Contents

For the Half Year Ended 31 December 2016

	Page
Consolidated Financial Statements	
Directors' Report	1
Auditors Independence Declaration under Section 307C of the Corporations Act 2001	2
Condensed Statement of Profit or Loss and Other Comprehensive Income	3
Condensed Statement of Financial Position	4
Condensed Statement of Changes in Equity	5
Condensed Statement of Cash Flows	6
Notes to the Financial Statements	7
Directors' Declaration	10
Independent Auditor's Review Report	11

SQID Technologies Limited

ABN 44 121 655 472

**Directors' Report
For the Half Year Ended 31 December 2016**

The directors submit the consolidated financial statements of the Company and its subsidiaries (the Consolidated Entity, the Group) for the half year ended 31 December 2016.

Information on directors

The names of each person who has been a director during the half year and to the date of this report are:

- Peter Hall
- Daniel Desplat
- Andrew Sterling

Review of operations

A review of the operations of the Group during the half year and the results of those operations show a significant increase in revenue, resulting in a reduced loss for the half year to 31 December 2016 of \$9 (2015 loss \$327,154).

Total value of shares issued in the Company during the half year period were \$35,323.

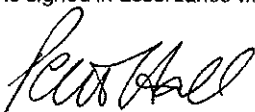
Significant changes in state of affairs

There have been no significant changes in the state of affairs of entities in the Group during the half year.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2016 has been received and can be found on page 2 of the consolidated financial report.

This report is signed in accordance with a resolution of the Board of Directors.

Director: 
Peter Hall

Date: 3/2/17

SQID Technologies Limited

ABN 44 121 655 472

Auditors Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2016, there have been:

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



Gary Paul Smith (Registered Company Auditor 222045)
Specialised Audit and Assurance Services
Suite 4, 118 Vulture Street
South Brisbane QLD 4101

Date: 3/2/17

SQID Technologies Limited

ABN 44 121 655 472

Condensed Statement of Profit or Loss and Other Comprehensive Income For the Half Year Ended 31 December 2016

	31 December 2016	31 December 2015
	\$	\$
Payment transaction fees	561,550	49,343
Other merchant income	147,724	17,813
Direct transaction costs	(347,599)	(32,779)
Gross profit	361,675	34,377
Interest income	383	3
Administrative expenses	(106,212)	(134,755)
Marketing expenses	(3,098)	(876)
Professional fees	(113,614)	(207,285)
Depreciation and amortisation	(5,122)	(8,468)
Finance costs	(1,191)	(10,088)
Other expenses	(132,830)	(62)
Loss before income tax	(9)	(327,154)
Income tax expense	-	-
Loss from continuing operations	(9)	(327,154)
Loss for the half year	(9)	(327,154)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	(9)	(327,154)
Loss attributable to:		
Members of the parent entity	(9)	(327,154)
	(9)	(327,154)
Total comprehensive income attributable to:		
Members of the parent entity	(9)	(327,154)
	(9)	(327,154)

The accompanying notes form part of these financial statements.

SQID Technologies Limited

ABN 44 121 655 472

Condensed Statement of Financial Position As At 31 December 2016

	31 December 2016 \$	30 June 2016 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	720,020	146,470
Trade and other receivables	1,121	8,078
TOTAL CURRENT ASSETS	721,141	154,548
NON-CURRENT ASSETS		
Property, plant and equipment	3,362	4,426
Intangible assets	122,749	134,867
TOTAL NON-CURRENT ASSETS	126,111	139,293
TOTAL ASSETS	847,252	293,841
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	980,397	436,398
Borrowings	-	22,500
Short-term provisions	76,389	76,389
Employee benefits	18,785	13,111
TOTAL CURRENT LIABILITIES	1,075,571	548,398
NON-CURRENT LIABILITIES		
Trade and other payables	-	9,076
TOTAL NON-CURRENT LIABILITIES	-	9,076
TOTAL LIABILITIES	1,075,571	557,474
NET LIABILITIES	(228,319)	(263,633)
EQUITY		
Issued capital	6,320,809	6,285,486
Retained Earnings	(6,549,128)	(6,549,119)
TOTAL EQUITY	(228,319)	(263,633)

The accompanying notes form part of these financial statements.

SQID Technologies Limited

ABN 44 121 655 472

Condensed Statement of Changes in Equity

For the Half Year Ended 31 December 2016

31 December 2016

	Ordinary Shares	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2016	6,285,486	(6,549,119)	(263,633)
Loss attributable to members of the parent entity	-	(9)	(9)
Transactions with owners in their capacity as owners			
Contribution of equity, net of transaction costs	35,323	-	35,323
Balance at 31 December 2016	6,320,809	(6,549,128)	(228,319)

31 December 2015

	Ordinary Shares	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2015	5,621,579	(5,851,770)	(230,191)
Loss attributable to members of the parent entity	-	(327,154)	(327,154)
Transactions with owners in their capacity as owners			
Contribution of equity, net of transaction costs	422,714	-	422,714
Balance at 31 December 2015	6,044,293	(6,178,924)	(134,631)

The accompanying notes form part of these financial statements.

SQID Technologies Limited

ABN 44 121 655 472

Condensed Statement of Cash Flows For the Half Year Ended 31 December 2016

	31 December 2016 \$	31 December 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	775,147	71,197
Payments to suppliers and employees	(135,073)	(259,533)
Interest received	383	3
Interest paid	(1,191)	(10,088)
Net GST received from/ (paid to) ATO	(15,216)	6,858
Net cash provided by/ (used in) operating activities	<u>624,050</u>	<u>(191,563)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of shares	-	182,000
Proceeds from borrowings	9,000	43,600
Repayment of borrowings	(59,500)	(39,000)
Net cash used by financing activities	<u>(50,500)</u>	<u>186,600</u>
Net increase/(decrease) in cash and cash equivalents held	573,550	(4,963)
Cash and cash equivalents at beginning of year	<u>146,470</u>	<u>28,559</u>
Cash and cash equivalents at end of the half year	<u>720,020</u>	<u>23,596</u>

The accompanying notes form part of these financial statements.

SQID Technologies Limited

ABN 44 121 655 472

Notes to the Financial Statements For the Half Year Ended 31 December 2016

The consolidated financial report covers SQID Technologies Limited and its controlled entities (the Consolidated Entity or the Group). SQID Technologies Limited is a for-profit Company limited by shares, incorporated and domiciled in Australia.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

1 Basis of Preparation

This condensed consolidated interim financial report for the reporting period ending 31 December 2016 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The interim financial report is intended to provide users with an update on the latest annual financial statements of SQID Technologies Limited and controlled entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This condensed consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016, together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements. Where necessary, certain comparatives have been restated for consistency in presentation at 30 December 2016.

2 Result for the Year

Other expenses for the year includes the following specific expenses:

	31 December 2016	31 December 2015
	\$	\$
Impairment of intangible assets (patents)	8,060	-
Direct transaction costs (see below)	19,955	-
Impairment of receivables: - Bad debts	104,101	-

Due to a significant increase in activity the Group has changed its accounting policy in respect of transaction costs and now recognises them on an accruals basis. In prior periods these expenses were not material and were recognised on a cash basis. In order to provide a fairer reflection of gross profits in the current half year period, transaction costs paid in July 2016, which related to June 2016 costs, have been included in 'Other expenses' rather than 'Direct transaction costs'.

The Bad debts relate principally to charge-backs made to one customer to recover card payments that may become payable by the Group.

A provision of \$76,389 was made at June 2016 by the Directors for potential card scheme penalties. This provision is unchanged at December 2016.

SQID Technologies Limited

ABN 44 121 655 472

Notes to the Financial Statements

For the Half Year Ended 31 December 2016

3 Issued Capital

	31 December 2016	31 December 2015
	\$	\$
13,741,964 (2016: 11,532,581) Ordinary shares	6,320,809	6,044,293
Total	6,320,809	6,044,293

	31 December 2016		31 December 2015	
	No.	\$	No.	\$
At beginning of half-year	13,466,378	6,285,486	9,419,014	5,621,579
Issue of shares in settlement of liabilities	220,586	35,323	2,113,567	422,714
Issue of shares for zero consideration under an anti-dilution measure	55,000	-	-	-
At end of half-year	13,741,964	6,320,809	11,532,581	6,044,293

Shares were issued for zero consideration to Teabucket Pty Ltd, a company of which Peter Hall is a director and shareholder. These shares were issued pursuant to an agreement with the board of directors that the percentage interest of Teabucket Pty Ltd in the Group will not be diluted. The Directors did not allocate any value to these share issues.

4 Debt and Equity Securities

Additional shares were issued during the half year for total consideration of \$35,323 as detailed below:

- \$30,158 was to clear borrowings (\$22,500 promissory notes & \$7,658 shareholder loans)
- \$5,165 related to shares issued to clear interest payable

An additional \$9,000 loan was recognised for the payment of office rent on behalf of the company by a director during the half year. This is non-interest bearing, and will be repaid in full during the current financial year. \$59,500 of existing loans were repaid in cash in addition to the amounts cleared via share issues noted above.

All interest-bearing promissory notes have now been repaid and all encumbrances registered on the PPSR have been removed.

5 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2016 (31 December 2015: None).

6 Events Occurring After the Reporting Date

No matters or circumstances have arisen since the end of the financial half year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

SQID Technologies Limited

ABN 44 121 655 472

Notes to the Financial Statements For the Half Year Ended 31 December 2016

7 Going concern

Despite a significant improvement in results the Group has incurred a small operating loss for the half year and at 31 December 2016 had net liabilities of \$228,319.

International Patents have been issued in the largest potential markets and have not yet been exploited. Should international patent registrations in minority markets not be successfully granted, there may be limitations on the ability of the Group to generate projected revenues in those locations. The capitalised cost of all unsuccessful patent applications will be fully impaired with losses recognised in profit and loss. The Group currently is generating a positive operating cash flow from local operations. Having patents approved in other jurisdictions in the future will only add to this cash generating capacity.

The Directors believe that the Group will be able to meet its debts and commitments as they fall due based on the following:

- Revenues have increased significantly in the half-year. The Directors believe that the Group will record a net profit for the year ended June 2017.
- The Directors will continue to implement existing liquidity strategies that utilise the proactive management of payments and costs, and Westpac Banking Corporation will continue to provide Merchant Facilities.

The Directors believe that the above factors will contribute to achieving sufficient future cash flows to enable the Group's obligations to be met.

Whilst the Group is still in the pre-profit stage, the Directors are confident of the group continuing as a going concern for the following reasons.

1. All interest-bearing debt has been repaid in full as at 31st December 2016.
2. The Group has required no external funding for operational expenditure this financial year, and does not anticipate to require this in the future due to customer receipts being able to sustain operations.
3. Of the \$980k payables, \$520k are bonds withheld from merchants for security purposes. The bonds are potentially repayable on a notice period of between 6 and 18 months, and the group will be able to repay these from operating cash flow if required.
4. Of the \$980k payables, there are \$84k in non-interest-bearing loans. These are scheduled to be repaid in full during the current financial year from operating cash flow.

The Directors believe that the Group will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis.

At this time, the Directors are of the opinion that no assets are likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2016. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

SQID Technologies Limited


ABN 44 121 655 472

Directors' Declaration

The directors of the Company declare that:

1. The consolidated financial statements and notes, as set out on pages 3 to 9 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date.
2. In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director 

Peter Hall

Dated: 3/2/17

SQID Technologies Limited

ABN 44 121 655 472

Independent Auditor's Review Report to the members of SQID Technologies Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of SQID Technologies Limited (the Company), which comprises the consolidated condensed statement of financial position as at 31 December 2016, the consolidated condensed statement of profit or loss and other comprehensive income, the consolidated condensed statement of changes in equity and the consolidated condensed 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 for the Consolidated Entity. The Consolidated Entity comprises the Company and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidate Entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*. As the auditor of SQID Technologies Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of SQID Technologies Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Going Concern

We draw attention to note 7 of the condensed financial statements which indicate the Consolidated Entity had net liabilities of \$228,319 as at 31 December 2016. The ability of the Consolidated Entity to continue as a going concern is contingent on a number of future events, the most significant of which is the ability of the Consolidated Entity to maintain increased revenues, become profitable and also to maintain the support of existing creditors. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Consolidated Entity's ability to continue as a going concern and therefore, the Consolidated Entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

SQID Technologies Limited

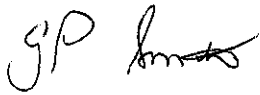
ABN 44 121 655 472

Independent Auditor's Review Report to the members of SQID Technologies Limited

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of SQID Technologies Limited is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the Consolidate Entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting and Corporations Regulations 2001*.



Gary Paul Smith (Registered Company Auditor 222045)
Specialised Audit and Assurance Services
Suite 4, 118 Vulture Street
South Brisbane QLD 4101

Dated: 3/2/17