

LatAm Autos Limited

ABN 12 169 063 414

Half-year Financial Report - 30 June 2020

LatAm Autos Limited
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30 June 2020

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LatAm Autos Limited
Corporate directory
30 June 2020

Directors	Michael Fitzpatrick (Chairman) Jorge Mejia Ribadeneira (Executive Director & Chief Executive Officer) Simon Clausen (Non-executive Director) - retired on 28 May 2020 Tim Handley (Non-executive Director) Joe Hanna (Non-executive Director) Donald Cahill (Non-executive Director) Gareth Bannan (Alternate Director) Cameron Griffin (Alternate Director)
Company secretaries	Melanie Leydin Gareth Bannan
Registered office	Level 4, 100 Albert Road South Melbourne, VIC 3205 Tel: +61 3 9692 7222 Fax: +61 3 9077 9233
Principal place of business	Latamautos Mexico S de RL de CV Hipolito Taine 224, Oficina 14, Polanco V Sección Mexico City Mexico Tel: +52 55 4161 8830
Share register	Boardroom Pty Limited Level 12, 225 George Street Sydney NSW 2000
Auditor	Grant Thornton Collins Square, Tower 5 727 Collins Street Melbourne VIC 3008
Website	www.latamautos.com

LatAm Autos Limited
Directors' report
30 June 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of LatAm Autos Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2020.

Directors

The following persons were directors of LatAm Autos Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Michael Fitzpatrick (Chairman)
Jorge Mejía Ribadeneira (Executive Director & Chief Executive Officer)
Simon Clausen (Non-executive Director) - retired on 28 May 2020
Tim Handley (Non-executive Director)
Joe Hanna (Non-executive Director)
Donald Cahill (Non-executive Director)
Gareth Bannan (Alternate Director)
Cameron Griffin (Alternate Director)

Principal activities

The Consolidated Entity is a dedicated online auto classifieds business with operations in Argentina, Mexico, Ecuador, Peru, Panama and Bolivia. In these key Latin American markets ('LatAm Markets'), the Consolidated Entity provides a dedicated online auto classifieds platform to commercial sellers, private sellers and buyers of vehicles. The Consolidated Entity also offers premium automotive related content to automotive buyers and enthusiasts, as well as advertising services and solutions.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Review of operations

The loss for the Consolidated Entity for 1H20 after providing for income tax amounted to \$3,854,000 (1H19: \$6,036,000), a decrease of 36%.

The Company delisted from the ASX in May 2020 and raised A\$5.1m in the same month. In mid 1H20 the Company implemented a strong restructuring plan that substantially reduced the cost base of the business from early 1H20 levels.

Prior to delisting the Company undertook a buy-back of unmarketable parcels of shares of the listed entity in April 2020. The amount bought of shares bought back under this plan was 4.5m shares.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout Latin America. The spread of COVID-19 has caused significant volatility in Latin America and international markets.

In the initial months of COVID-19 the Mexican and Ecuadorian businesses felt strong impacts on both revenues and operating metrics. Though most revenue lines and operating metrics steadily improved in late 1H20.

Significant changes in the state of affairs

There continues to remain significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on Latin America and specifically on the countries of Ecuador and Mexico.

While the initial impacts of COVID-19 on the Mexican and Ecuadorian businesses were strong in the last months of 1H20 both businesses have continued to improve both their financial and operational performances from July 2020 to September 2020. In recent months both businesses recorded their strongest operating metrics in terms of organic traffic, engagement of audience (being time on site, bounce rate and page views per visit) and total number of leads to listings to either pre-COVID-19 levels or record levels.

While the revenues of both businesses continue to be adversely impacted by COVID-19 they have grown steadily month-on-month since late 1H20 to September 2020. Additionally, strong cost efficiency gains have more than offset revenue decreases on a consolidated basis.

Matters subsequent to the end of the financial half-year

Subsequent to the end of the financial half-year COVID-19 has continued to impact both the Mexican and Ecuadorian economies and societies. While LatAm Autos' businesses have shown strong growth in both revenues and operating metrics since the end of the financial half-year, in addition to the Consolidated Entity having a much lower cost base, COVID-19 has had an adverse impact on the number of new cars sold in addition to advertising spend in both Mexico and Ecuador.

Subsequent to the end of the financial half-year 1,018k shares were issued at \$0.03 per share to Simon Clausen for his services as a Non-executive Director. Also subsequent to the end of the financial half-year 388k and 606k shares were issued to a service provider at prices of \$0.0405 and \$0.0173 respectively.

No other matters or circumstances have arisen since 30 June 2020 that has significantly affected or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Michael Fitzpatrick
Chairman

12 October 2020

Auditor's Independence Declaration

To the Directors of LatAm Autos Ltd

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of LatAm Autos Ltd for the half-year ended 30 June 2020, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M J Climpson
Partner – Audit & Assurance

Melbourne, 12 October 2020

LatAm Autos Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2020

	Note	Consolidated 30 June 2020 \$'000	30 June 2019 \$'000
Revenue from continuing operations	6	2,648	3,666
Expenses			
Commissions and related expenses		(512)	(901)
Printing costs		(81)	(236)
Advertising expenses		(304)	(817)
Employee benefits expense		(2,877)	(4,278)
Depreciation and amortisation expense		(697)	(712)
Impairment of assets		(74)	(123)
Professional and consulting fees expense		(710)	(735)
Travel expense		(35)	(129)
Technology expenses		(254)	(289)
Other expenses		(613)	(890)
Finance costs		(322)	(495)
Loss before income tax expense from continuing operations		(3,831)	(5,938)
Income tax expense		-	(31)
Loss after income tax expense from continuing operations		(3,831)	(5,969)
Loss after income tax expense from discontinued operations	7	(23)	(67)
Loss after income tax expense for the half-year attributable to the owners of LatAm Autos Limited		(3,854)	(6,036)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(1,287)	394
Other comprehensive income for the half-year, net of tax		(1,287)	394
Total comprehensive income for the half-year attributable to the owners of LatAm Autos Limited		(5,141)	(5,642)
Total comprehensive income for the half-year is attributable to:			
Continuing operations		(5,119)	(5,578)
Discontinued operations		(22)	(64)
		(5,141)	(5,642)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

LatAm Autos Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2020

	Note	Consolidated	
		30 June 2020 \$'000	30 June 2019 \$'000
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of LatAm Autos Limited			
Basic earnings per share		(0.60)	(1.41)
Diluted earnings per share		(0.60)	(1.41)
Earnings per share for loss from discontinued operations attributable to the owners of LatAm Autos Limited			
Basic earnings per share		(0.00)	(0.02)
Diluted earnings per share		(0.00)	(0.02)
Earnings per share for loss attributable to the owners of LatAm Autos Limited			
Basic earnings per share		(0.60)	(1.43)
Diluted earnings per share		(0.60)	(1.43)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

LatAm Autos Limited
Consolidated statement of financial position
As at 30 June 2020

		Consolidated	
	Note	30 June 2020	31 December
		\$'000	2019
			\$'000
Assets			
Current assets			
Cash and cash equivalents		2,714	3,104
Trade and other receivables		2,242	2,611
Prepayments		163	223
Total current assets		<u>5,119</u>	<u>5,938</u>
Non-current assets			
Other receivables		624	804
Plant and equipment		199	279
Right-of-use assets		672	888
Intangible assets	8	19,851	21,116
Deferred tax		797	870
Total non-current assets		<u>22,143</u>	<u>23,957</u>
Total assets		<u>27,262</u>	<u>29,895</u>
Liabilities			
Current liabilities			
Trade and other payables		1,751	3,647
Lease liabilities		148	279
Employee benefits		765	970
Provisions		47	55
Contract liabilities - deferred service income		347	437
Total current liabilities		<u>3,058</u>	<u>5,388</u>
Non-current liabilities			
Lease liabilities		577	662
Deferred tax		567	667
Employee benefits		239	234
Convertible Note	9	5,294	5,036
Total non-current liabilities		<u>6,677</u>	<u>6,599</u>
Total liabilities		<u>9,735</u>	<u>11,987</u>
Net assets		<u>17,527</u>	<u>17,908</u>
Equity			
Issued capital	10	90,263	85,546
Other contributed equity	10	1,955	1,952
Reserves		585	1,832
Accumulated losses		(75,276)	(71,422)
Total equity		<u>17,527</u>	<u>17,908</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

LatAm Autos Limited
Consolidated statement of changes in equity
For the half-year ended 30 June 2020

Consolidated	Issued capital \$'000	Other contributed equity \$'000	Share based payments reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2019	76,306	1,693	130	1,728	(58,816)	21,041
Loss after income tax expense for the half-year	-	-	-	-	(6,036)	(6,036)
Other comprehensive income for the half-year, net of tax	-	-	-	394	-	394
Total comprehensive income for the half-year	-	-	-	394	(6,036)	(5,642)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 10)	3,326	291	-	-	-	3,617
Share-based payments	-	-	57	-	-	57
Balance at 30 June 2019	<u>79,632</u>	<u>1,984</u>	<u>187</u>	<u>2,122</u>	<u>(64,852)</u>	<u>19,073</u>

Consolidated	Issued capital \$'000	Other contributed equity \$'000	Share based payments reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2020	85,546	1,952	110	1,722	(71,422)	17,908
Loss after income tax benefit for the half-year	-	-	-	-	(3,854)	(3,854)
Other comprehensive income for the half-year, net of tax	-	3	-	(1,287)	-	(1,284)
Total comprehensive income for the half-year	-	3	-	(1,287)	(3,854)	(5,138)
<i>Transactions with owners in their capacity as owners:</i>						
Share issue to employees shares for consulting services rendered	12	-	-	-	-	12
Buy-back shares	(133)	-	-	-	-	(133)
Contributions of equity, net of transaction costs	4,790	-	-	-	-	4,790
Share-based payments	-	-	40	-	-	40
Balance at 30 June 2020	<u>90,263</u>	<u>1,955</u>	<u>150</u>	<u>435</u>	<u>(75,276)</u>	<u>17,527</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

LatAm Autos Limited
Consolidated statement of cash flows
For the half-year ended 30 June 2020

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST and equivalents)	3,099	4,922
Payments to suppliers and employees (inclusive of GST and equivalents)	(7,529)	(8,823)
	<u>(4,430)</u>	<u>(3,901)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Payments for plant and equipment	(8)	(47)
Payments for intangibles	(366)	(475)
	<u>(374)</u>	<u>(522)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from issue of shares	5,037	3,199
Shares buy-back	(140)	-
Legal fees for equity raising	(394)	(177)
	<u>4,503</u>	<u>3,022</u>
Net cash from financing activities		
Net decrease in cash and cash equivalents	(301)	(1,401)
Cash and cash equivalents at the beginning of the financial half-year	3,104	6,600
Effects of exchange rate changes on cash and cash equivalents	(89)	6
	<u>(470)</u>	<u>(1,395)</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>2,714</u></u>	<u><u>5,205</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

LatAm Autos Limited
Notes to the consolidated financial statements
30 June 2020

Note 1. General information

The financial statements cover LatAm Autos Limited as a consolidated entity consisting of LatAm Autos Limited ('the company') and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is LatAm Autos Limited's functional and presentation currency.

LatAm Autos Limited is an unlisted company limited by shares, incorporated and domiciled in Australia.

A description of the nature of the Consolidated Entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 12 October 2020. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general-purpose financial statements for the interim half-year reporting period ended 30 June 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2019.

Going concern

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

During the half-year period ended 30 June 2020, the Consolidated Entity incurred a loss after tax of \$3,854,000 (2019: \$6,036,000) and had net cash outflows from operating activities of \$4,430,000 (2019: \$3,901,000). As at 30 June 2020, the Consolidated Entity's cash position is \$2,714,000. Until such time as the Consolidated Entity's revenue growth is sufficient to result in a profitable annual trading result, the risk of material uncertainty in relation to going concern will exist, and the Consolidated Entity may be reliant on its ability to raise capital.

During the period, the Consolidated Entity raised \$5,037,000 from successful capital raise. The Consolidated Entity's trading performance is showing continual improvement, which is broadly in line with management's projections. Cash flow forecasts prepared by management project the Consolidated Entity has sufficient funds to meet commitments over the next twelve months. Accordingly, the Directors believe the Consolidated Entity will continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

The Convertible Note expires on 31 July 2021. Upon expiry the Company is required to pay back the Convertible Note in cash. Once a redemption notice has been received by the Company from the Noteholders, the Noteholders can elect to receive any money owing in either cash or ordinary shares in LatAm Autos at \$0.10 with attaching options. Conversion into ordinary shares will be subject to requisite regulatory and shareholder approvals. Noting the expiry date of the convertible notes, this represents a further going concern risk should the Consolidated Entity's financial position at the time be such that it is unable to settle the convertible notes in cash in July 2021 if instructed to do so by the note holders.

Note 3. New Accounting Standards and Interpretations not yet mandatory or early adopted

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Consolidated Entity's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards and interpretations noted below.

AASB 2020-4 Amendments to Australian Accounting Standards - Covid-19-Related Rent Concessions

This Standard amends AASB 16 to provide a practical expedient that permits lessees not to assess whether rent concessions that occur as a direct consequence of the covid-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications.

Lease modifications

As a practical expedient, a lessee may elect not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the rent concession the same way it would account for the change applying this Standard if the change were not a lease modification.

The practical expedient in paragraph 46A applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- c) There is no substantive change to other terms and conditions of the lease.

These amendments had no significant impact on the consolidated financial statements of the Consolidated Entity.

Note 3.1 Accounting Standards and Interpretations issued but not yet effective

At the date of authorisation of the financial report, the following Australian Accounting Standards and Interpretations relevant to the Consolidated Entity have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the reporting period ended 30 June 2020.

AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current

This standard effective for annual reporting periods beginning on or after 1 January 2022.

A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 to clarify the requirements for classifying liabilities as current or non-current.

This specifically for:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management intention or expectation does not affect classification of liabilities.
- In cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current.

These amendments are applied retrospectively. The Consolidated Entity does not expect this standard will have a significant impact on the Consolidated Entity financial report however it will continue to assess this during financial year end.

Note 4. Critical accounting judgements, estimates and assumptions

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

The judgements, estimates and assumptions applied in these interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Consolidated entity's last annual financial statements for the year ended 31 December 2019.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Consolidated Entity based on known information. This consideration extends to the nature of the products and services offered, customers, staffing and geographic regions in which the Consolidated Entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Consolidated Entity unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

Note 5. Operating segments

Identification of reportable operating segments

The Consolidated Entity operates in one industry, being the provision of online auto classified services, and there are five operating business segments that are determined on the basis of geographic information.

The operating segments are analysed by the Chief Executive Officer and the Board of Directors (collectively identified as the Chief Operating Decision Makers ('CODM')), based on the internal reports that are reviewed and used by the CODM in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments

The CODM reviews revenues, relevant expenses and Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis

The reportable segments are:

Argentina	Mexico
Ecuador	Peru
Panama	

Business activities are also carried out in Bolivia, however these are not material and, for the purposes of reporting to the CODM, this financial information is included in the Ecuador reportable segment.

Intersegment transactions

There were no material intersegment transactions during the reporting period.

Major customers

The Consolidated Entity does not have a major customer that contributes more than 10% or more to the Consolidated Entity's revenue.

LatAm Autos Limited
Notes to the consolidated financial statements
30 June 2020

Note 5. Operating segments (continued)

Operating segment information

	Argentina \$'000	Ecuador \$'000	Panama \$'000	Mexico \$'000	Peru \$'000	Total \$'000
Consolidated - 30 June 2020						
Revenue						
Sales to external customers	-	665	-	1,736	18	2,419
Total revenue	-	665	-	1,736	18	2,419
Operating expenses	(11)	(837)	(2)	(2,878)	(35)	(3,764)
EBITDA	(11)	(173)	(2)	(1,143)	(17)	(1,345)
Consolidated - 30 June 2019						
Revenue						
Sales to external customers	-	1,545	-	1,935	121	3,601
Total revenue	-	1,545	-	1,935	121	3,601
Operating expenses	(60)	(1,609)	(2)	(3,986)	(180)	(5,837)
EBITDA	(60)	(64)	(2)	(2,051)	(59)	(2,236)

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
Revenue		
Revenue from contracts with customers	2,419	3,601
Interest income	2	9
Other revenue	227	56
Group revenues	<u>2,648</u>	<u>3,666</u>
Profit or loss		
Total reportable segment EBITDAs	(1,345)	(2,236)
Interest income	2	9
Other revenue	227	56
Foreign exchange loss	(3)	(16)
Financial expenses	(322)	(495)
Depreciation and amortisation expenses	(698)	(714)
Share-based payments expense	(40)	(526)
Impairment	(82)	(123)
Other non-reportable segment expenses	(1,593)	(1,960)
Income tax (expense)/benefit	-	(31)
	<u>(3,854)</u>	<u>(6,036)</u>

LatAm Autos Limited
Notes to the consolidated financial statements
30 June 2020

Note 5. Operating segments (continued)

Geographical information

	Sales to external customers		Geographical non-current assets	
	30 June 2020	30 June 2019	30 June 2020	31 December 2019
	\$'000	\$'000	\$'000	\$'000
Ecuador	665	1,545	13,901	13,825
Panama	-	-	7	7
Mexico	1,736	1,935	6,813	8,448
Peru	18	121	-	2
Australia	-	-	1	1
	<u>2,419</u>	<u>3,601</u>	<u>20,722</u>	<u>22,283</u>

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

Note 6. Revenue

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
From continuing operations		
<i>Revenue from contracts with customers</i>		
Sales revenue	<u>2,419</u>	<u>3,601</u>
<i>Other revenue</i>		
Interest revenue	2	9
Other revenue	<u>227</u>	<u>56</u>
	<u>229</u>	<u>65</u>
Revenue from continuing operations	<u><u>2,648</u></u>	<u><u>3,666</u></u>

LatAm Autos Limited
Notes to the consolidated financial statements
30 June 2020

Note 6. Revenue (continued)

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Classifieds \$'000	Cross sells \$'000	Total \$'000
Consolidated – 30 June 2020			
<i>Geographical regions</i>			
Mexico	715	1,021	1,736
Ecuador	630	35	665
Peru	18	-	18
	<u>1,363</u>	<u>1,056</u>	<u>2,419</u>
Consolidated – 30 June 2019			
<i>Geographical regions</i>			
Mexico	894	1,041	1,935
Ecuador	1,185	360	1,545
Peru	121	-	121
	<u>2,200</u>	<u>1,401</u>	<u>3,601</u>

The Consolidated Entity revenue disaggregated by pattern of revenue recognition is as follows:

Consolidated – 30 June 2020

	Mexico \$'000	Ecuador \$'000	Peru \$'000	Total \$'000
Services provided at a point in time	1,336	470	18	1,824
Services transferred over time	<u>400</u>	<u>195</u>	<u>-</u>	<u>595</u>
	<u>1,736</u>	<u>665</u>	<u>18</u>	<u>2,419</u>

Consolidated – 30 June 2019

	Mexico \$'000	Ecuador \$'000	Peru \$'000	Total \$'000
Services provided at a point in time	1,584	1,359	120	3,063
Services transferred over time	<u>351</u>	<u>186</u>	<u>1</u>	<u>538</u>
	<u>1,935</u>	<u>1,545</u>	<u>121</u>	<u>3,601</u>

The consolidated aggregate amount of the transaction price allocated to the performance obligations that are partially unsatisfied as of 30 June 2020 was \$347,000 (June 2019: \$366,000). The Company expects to recognize as revenue within 12 months from the reporting date.

Note 7. Discontinued operations

Description

The Argentinian and Panamanian operations were discontinued in 2017 with the offices being closed and those companies no longer having marketing or employee expenses.

LatAm Autos Limited
Notes to the consolidated financial statements
30 June 2020

Note 7. Discontinued operations (continued)

Financial performance information

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
Employee benefits expense	-	(40)
Depreciation and amortisation expense	(1)	(2)
Impairment	(9)	-
Professional and consulting fees expense	(9)	(18)
Other expenses	(4)	(7)
Total expenses	<u>(23)</u>	<u>(67)</u>
Loss before income tax expense	(23)	(67)
Income tax expense	-	-
Loss after income tax expense from discontinued operations	<u><u>(23)</u></u>	<u><u>(67)</u></u>

Cash flow information

	Consolidated	
	30 June 2020	30 June 2019
	\$'000	\$'000
Net cash used in operating activities	<u>(1)</u>	<u>(1)</u>

Note 8. Intangibles

	Consolidated	
	30 June 2020	31 December 2019
	\$'000	\$'000
Goodwill - at cost	<u>16,650</u>	<u>17,692</u>
Software - at cost	8,829	8,358
Less: Accumulated amortisation - software	<u>(7,185)</u>	<u>(6,696)</u>
	<u>1,644</u>	<u>1,662</u>
Domain names and trademarks - at cost	2,464	2,648
Less: Accumulated amortisation - Domain names and trademarks	<u>(907)</u>	<u>(886)</u>
	<u>1,557</u>	<u>1,762</u>
Content - at cost	144	144
Less: Accumulated amortisation - content	<u>(144)</u>	<u>(144)</u>
	<u>-</u>	<u>-</u>
	<u><u>19,851</u></u>	<u><u>21,116</u></u>

LatAm Autos Limited
Notes to the consolidated financial statements
30 June 2020

Note 8. Intangibles (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Domain names and trademarks \$'000	Software \$'000	Goodwill \$'000	Total \$'000
Balance at 1 January 2020	1,762	1,662	17,692	21,116
Additions	-	367	-	367
Amortisation expense	(85)	(429)	-	(514)
Exchange differences	(120)	44	(1,042)	(1,118)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30 June 2020	<u>1,557</u>	<u>1,644</u>	<u>16,650</u>	<u>19,851</u>

Note 9. Convertible Note

	Consolidated	30 June 2020	31 December 2019
		\$'000	\$'000
Convertible note at amortised cost		<u>5,294</u>	<u>5,036</u>

The key terms of the Notes are as follows:

- 3 year term
- 8% p.a. interest rate paid quarterly or capitalised
- Fixed conversion price of \$0.10 after 2019 redemption
- Maturity date July 2021
- The convertible notes are secured over the Company's Mexican and Ecuadorean wholly owned subsidiaries
- The convertible notes can be repaid at any time by LatAm Autos, where noteholders can elect to receive the money owing in either cash or ordinary shares in LatAm Autos at \$0.10. Conversion into ordinary shares will be subject to requisite regulatory and shareholder approvals.
- In October 2019 the Company applied a partially early redemption. After this redemption some conditions changed. The conversion price moved from \$0.16 to \$0.10 and the maturity date moved from 30 April 2020 to 31 July 2021.

*Interest expense is calculated by applying the effective interest rate of 16.2% to the liability component.

Note 10. Issued capital and other contributed equity

(a) Issued capital

	Consolidated			
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>756,351,274</u>	<u>591,867,317</u>	<u>90,263</u>	<u>85,546</u>

LatAm Autos Limited
Notes to the consolidated financial statements
30 June 2020

Note 10. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 January 2020	591,867,317		85,546
Share issue to employees	14 January 2020	219,696	\$0.055	12
Issue of shares for consulting services rendered	24 April 2020	1,021,276	\$0.047	48
Issue of shares for capital shares	4 May 2020	53,569,964	\$0.030	1,607
Issue of shares for capital shares	4 May 2020	37,849,657	\$0.030	1,141
Issue of shares for capital shares	4 May 2020	76,282,607	\$0.030	2,288
Buy-back shares	4 May 2020	(4,459,243)	\$0.030	(133)
Cost of issuing shares		-		(246)
Balance	30 June 2020	<u>756,351,274</u>		<u>90,263</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

(b) Other contributed equity

	Consolidated	
	30 June 2020	31 December 2019
	\$'000	\$'000
Convertible notes	1,394	1,394
Other contributed equity	561	558
	<u>1,955</u>	<u>1,952</u>

Note 11. Events after the reporting period

Subsequent to the end of the financial half-year COVID-19 has continued to impact both the Mexican and Ecuadorian economies and societies. While LatAm Autos' businesses have shown strong growth in both revenues and operating metrics since the end of the financial half-year, in addition to the Consolidated Entity having a much lower cost base, COVID-19 has had an adverse impact on the number of new cars sold in addition to advertising spend in both Mexico and Ecuador.

Subsequent to the end of the financial half-year 1,018k shares were issued at \$0.03 per share to Simon Clausen for his services as a Non-executive Director. Also subsequent to the end of the financial half-year 994k shares were issued to a service provider at a volume weighted average price of \$0.0264 to a service provider.

LatAm Autos Limited
Directors' declaration
30 June 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Michael Fitzpatrick
Chairman

12 October 2020

Independent Auditor's Report

To the Members of LatAm Autos Ltd

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of LatAm Autos Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, 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 LatAm Autos Ltd does not give a true and fair view of the financial position of the Group as at 30 June 2020, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of LatAm Autos Ltd in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (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.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss of \$3,854,000 during the half year ended 30 June 2020 and had net cash outflows from operating activities of \$4,430,000. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, 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 gives a true and fair view and 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. 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*.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M J Climpson
Partner – Audit & Assurance

Melbourne, 12 October 2020