

Connexion Media Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity: Connexion Media Limited
ABN: 68 004 240 313
Reporting period: For the year ended 30 June 2016
Previous period: For the year ended 30 June 2015

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	1160.1% to	1,294,916
Loss from ordinary activities after tax attributable to the owners of Connexion Media Limited	up	12.5% to	(6,860,709)
Loss for the year attributable to the owners of Connexion Media Limited	up	12.5% to	(6,860,709)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax amounted to \$6,860,709 (30 June 2015: \$6,099,102).

During the year the consolidated entity increased its expenditure relating to research and development costs to \$2,646,691 (2015: \$1,028,069) and \$2,758,939 in relation to employment costs (2015: \$876,492). The increase in expenditure compared to the previous financial year was due to the Company evolving from software development to going live with various telematics offerings (which created additional costs).

The net assets of the consolidated entity decreased by \$3,605,477 to a net asset deficiency of \$3,238,464. The decrease was mainly due to the increase in trade and other payables and borrowings during the financial year.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(3.36)	0.43

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

This report, and the accompanying financial statements, are based upon accounts which are in the process of being audited. The accounts are likely to contain an independent audit report that is subject to an emphasis of matter on the Company's ability to continue as a going concern.

11. Attachments

Details of attachments (if any):

The Financial Report of Connexion Media Limited for the year ended 30 June 2016 is attached.

12. Signed

Signed _____



George Karafotias

Date: 31 August 2016

Connexion Media Limited
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30 June 2016

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Connexion Media Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	Consolidated 2016 \$	2015 \$
Revenue	3	1,294,916	102,761
Expenses			
Administrative and corporate expenses		(1,788,863)	(416,764)
Employee benefits expense	0	(2,758,939)	(876,492)
Depreciation and amortisation expense		(1,379)	-
Marketing expenses		(177,677)	(313,782)
Occupancy costs		(152,659)	(93,594)
Research and development costs		(2,769,673)	(1,028,069)
Share re-quotations and transaction costs expenses	0	-	(3,241,001)
Travelling expenses		(256,459)	(176,340)
Finance costs		(249,976)	(55,821)
Loss before income tax expense		(6,860,709)	(6,099,102)
Income tax expense		-	-
Loss after income tax expense for the year attributable to the owners of Connexion Media Limited		(6,860,709)	(6,099,102)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Connexion Media Limited		(6,860,709)	(6,099,102)
		Cents	Cents
Basic earnings per share	10	(7.69)	(8.65)
Diluted earnings per share	10	(7.69)	(8.65)

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

Connexion Media Limited
Statement of financial position
As at 30 June 2016

	Note	Consolidated 2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents		76,389	1,102,904
Trade and other receivables		45,522	104,593
Prepayments		43,923	-
Total current assets		<u>165,834</u>	<u>1,207,497</u>
Non-current assets			
Plant and equipment		7,812	9,191
Other	4	80,989	-
Total non-current assets		<u>88,801</u>	<u>9,191</u>
Total assets		<u>254,635</u>	<u>1,216,688</u>
Liabilities			
Current liabilities			
Trade and other payables	5	1,014,287	480,155
Borrowings	6	2,354,699	344,551
Employee benefits		43,049	24,969
Total current liabilities		<u>3,412,035</u>	<u>849,675</u>
Non-current liabilities			
Borrowings	7	270,325	-
Total non-current liabilities		<u>270,325</u>	<u>-</u>
Total liabilities		<u>3,682,360</u>	<u>849,675</u>
Net assets/(liabilities)		<u>(3,427,725)</u>	<u>367,013</u>
Equity			
Issued capital	8	9,532,086	6,466,115
Accumulated losses		(12,959,811)	(6,099,102)
Total equity/(deficiency)		<u>(3,427,725)</u>	<u>367,013</u>

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

Connexion Media Limited
Statement of changes in equity
For the year ended 30 June 2016

Consolidated	Issued capital \$	Retained profits \$	Total equity \$
Balance at 1 July 2014	-	-	-
Loss after income tax expense for the year	-	(6,099,102)	(6,099,102)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(6,099,102)	(6,099,102)
<i>Transactions with owners in their capacity as owners:</i>			
Issue of shares	7,884,954	-	7,884,954
Issue of share options	1,269,298	-	1,269,298
Less capital raising expenditure	(2,688,137)	-	(2,688,137)
Balance at 30 June 2015	6,466,115	(6,099,102)	367,013
	Issued capital \$	Retained profits \$	Total deficiency in equity \$
Consolidated			
Balance at 1 July 2015	6,466,115	(6,099,102)	367,013
Loss after income tax expense for the year	-	(6,860,709)	(6,860,709)
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	(6,860,709)	(6,860,709)
<i>Transactions with owners in their capacity as owners:</i>			
Issue of shares, including the conversion of share options	3,176,537	-	3,176,537
Less capital raising expenditure	(110,566)	-	(110,566)
Balance at 30 June 2016	9,532,086	(12,959,811)	(3,427,725)

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

Connexion Media Limited
Statement of cash flows
For the year ended 30 June 2016

	Note	Consolidated 2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		551,158	60,822
Payments to suppliers and employees		(7,397,043)	(2,614,755)
Interest received		-	41,939
Receipts from R & D refund		722,902	-
		<u>722,902</u>	<u>-</u>
Net cash used in operating activities		<u>(6,122,983)</u>	<u>(2,511,994)</u>
Cash flows from investing activities			
Payments for plant and equipment		-	(9,191)
		<u>-</u>	<u>(9,191)</u>
Net cash used in investing activities		<u>-</u>	<u>(9,191)</u>
Cash flows from financing activities			
Proceeds from issue of shares	8	3,176,537	3,246,864
Proceeds from issue of share options		-	1,269,298
Proceeds from borrowings, net of costs		2,270,325	-
Payments for loan interest		(239,828)	-
Share issue transaction costs		(110,566)	(588,137)
Repayment of loan to Mi Media Holdings Limited		-	(303,936)
		<u>-</u>	<u>(303,936)</u>
Net cash from financing activities		<u>5,096,468</u>	<u>3,624,089</u>
Net increase/(decrease) in cash and cash equivalents		(1,026,515)	1,102,904
Cash and cash equivalents at the beginning of the financial year		1,102,904	-
		<u>1,102,904</u>	<u>-</u>
Cash and cash equivalents at the end of the financial year		<u>76,389</u>	<u>1,102,904</u>

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

Connexion Media Limited
Notes to the financial statements
30 June 2016

Note 1. General information

The financial statements cover Connexion Media Limited (the Company) as a consolidated entity and the entities it controlled at the end of, or during, the year (the consolidated entity). The financial statements are presented in Australian dollars, which is the functional and presentation currency of all entities in this consolidated entity.

Connexion Media Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 3, 600 St Kilda Road
MELBOURNE, VIC 3004

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 31 August 2016. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. None of those that were adopted materially impacted upon these financial statements.

Going concern

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

For the period ended 30 June 2016 the consolidated entity incurred a net loss of \$6,860,709 and incurred net cash outflows from operating and investing activities of \$6,122,983. As at 30 June 2016 the consolidated entity had an excess of current liabilities over current assets of \$3,246,201 and an excess of total liabilities over total assets of \$3,427,725.

The liabilities of the company include convertible notes with a carrying value of \$2,270,325 at 30 June 2016 which is not payable until 19 August 2017.

The company has developed new services which it is seeking to deploy and generate revenue. To date this has generated some initial sales from these services. The income receipts from these new services, which are based upon distribution agreements with major US-based automotive players and from the results of the launch of its Flex telematics service, are forecast to significantly increase in the next few months.

During the period the consolidated entity received \$722,902 in relation to research and development tax incentives in relation to activities it undertook in the 2015 financial year; it forecasts to receive approximately \$2,400,000 from its research and development activities for the 2016 financial year.

The Company and consolidated entity have prepared cash flow forecasts from the date of this report to 31 August 2017 for the purpose of ensuring that it can meet its debts as and when they fall due. The forecasts indicate the current cash reserves, following the issue of shares through the private placement and generation of sales revenue, are sufficient cash to cover forecast cash outflows for the next 12 months from the date of this report. The cash flow forecasts include cash raised from funding through the issue of shares, sales revenue and the reduction in expenditure.

Therefore, to continue as a going concern the Company and consolidated entity must;

- Raise further funds through the issue of share capital, and
- Generate additional sales revenue, and
- Continue to seek cost effective ways to promote its business services within the constraints of available cash resources.

Note 2. Significant accounting policies (continued)

While the directors have undertaken a market analysis and forecasting process, the Connexion business is a new business and is still in the process of sourcing customers.

Accordingly, the financial report has been prepared on the going concern basis based on the ability of the Company and consolidated entity to achieve sufficient cash inflows from sales and raise further equity, where necessary, to fund working capital.

In the event that the above initiatives do not eventuate or do not generate sufficient cash flows from operations there is uncertainty as to whether the consolidated entity and the company will be able to continue as a going concern. If the consolidated entity and the company are unable to continue as going concerns they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different from those stated in the financial statements.

The financial statements do not any include adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity and the company not continue as a going concern.

Basis of preparation

Historical cost convention

The financial statements have been prepared under the historical cost convention, and apply the going concern basis of accounting.

Note 3. Revenue

	Consolidated	
	2016	2015
	\$	\$
<i>Sales revenue</i>		
Licensing fees	-	14,579
Sales	572,014	46,243
	<u>572,014</u>	<u>60,822</u>
<i>Other revenue</i>		
Interest	-	41,939
R&D tax offset	722,902	-
	<u>722,902</u>	<u>41,939</u>
Revenue	<u>1,294,916</u>	<u>102,761</u>

Effective 1, July 2011, the R&D tax incentive regime replaced the R&D tax concession. Under this regime, Connexion, having expected aggregated annual turnover of under \$20 million, is entitled to a refundable R&D credit of 45% on the eligible R&D expenditure incurred on eligible R&D activities.

Connexion Media Limited
Notes to the financial statements
30 June 2016

Note 4. Non-current assets – other

	Consolidated	
	2016	2015
	\$	\$
Other deposits	80,989	-

Contingent Liability

During the financial year, the Company entered into a Lease Agreement and paid \$80,989 in relation to a Bank Guarantee for the make good of the premises.

In the event that the Company carries out its requirements in relation to the make good provisions of the Lease, then the funds will be refunded to the Company.

Note 5. Current liabilities - trade and other payables

	Consolidated	
	2016	2015
	\$	\$
Trade payables	496,884	232,920
Other payables	517,403	247,235
	<u>1,014,287</u>	<u>480,155</u>

Note 6. Current liabilities – borrowings

	Consolidated	
	2016	2015
	\$	\$
Convertible notes payable	2,000,000	-
Loan from Mi Media Holdings Limited – unsecured	-	12,227
Secured loan	354,699	332,324
	<u>2,354,699</u>	<u>344,551</u>

Note 7. Non-current liabilities – borrowings

	Consolidated 2016 \$	2015 \$
Convertible notes	270,325	-

Secured loan

On 22 June 2016 the consolidated entity announced that it had entered into an agreement to raise \$5 million through the issue of Convertible Notes (Notes) to new and existing institutional and sophisticated investors.

The key terms of the convertible notes are as follows:

2 Year term

Conversion Price of A\$0.15

Coupon Rate of 9.95% per annum

Convertible Notes can only be converted after 12 months from the issue date at the lesser of \$0.15 (15 cents) or convertible at a price of at least 80% of the last issue prices at which the Company issued shares for cash consideration prior to the date of the conversion notice.

The Company can redeem the notes at any time after 12 months from issue.

On August 10, 2016 the Company issued 3,042,172 unlisted options exercisable at \$0.25 expiring January 1 2018.

On 17 August 2016, the consolidated entity issued 6,948 Series 2 Notes, raising \$694,800 before costs.

Note 8. Equity - issued capital

	2016 #	Consolidated 2015 #	2016 \$	2015 \$
Ordinary shares - fully paid	101,929,174	84,619,770	8,308,420	5,196,817
Share options	81,577,598	84,619,770	1,223,666	1,269,298
	<u>183,506,772</u>	<u>169,239,540</u>	<u>9,532,086</u>	<u>6,466,115</u>

Connexion Media Limited
Notes to the financial statements
30 June 2016

Note 8. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	#	Issue price	\$
Balance	1 July 2014	10,185,450		-
		-	\$0.200	-
issue of ordinary shares under Prospectus	29 August 2014	16,234,320	\$0.200	3,246,864
Issue of shares for the acquisition of miRoamer Pty Ltd	29 August 2014	45,000,000	\$0.000	-
Value of equity attributed to shareholders of Connexion Media Limited (10,185,450 shares at 20 cents per share) arising from the reverse acquisition of miRoamer Pty Ltd	29 August 2014	-	\$0.000	2,037,090
Issue of shares to promoter under prospectus	29 August 2014	7,500,000	\$0.200	1,500,000
Issue of shares to Broker under Prospectus	29 August 2014	500,000	\$0.200	100,000
Issue of shares to Broker for services rendered	16 December 2014	2,700,000	\$0.185	501,000
Issue of shares for underwriting fee	30 January 2015	2,500,000	\$0.200	500,000
Costs of issuing equity		-	-	(2,688,137)
Balance	30 June 2015	84,619,770		5,196,817
Conversion of options	09 December 2015	50,000	\$0.215	10,750
Conversion of options	18 December 2015	550,000	\$0.215	118,250
Conversion of options	29 December 2015	1,211,505	\$0.215	260,474
Conversion of options	31 December 2015	890,000	\$0.215	191,350
Conversion of options	11 January 2016	265,667	\$0.215	57,118
Conversion of options	14 January 2016	75,000	\$0.215	16,125
Issue of shares	03 March 2016	4,999,999	\$0.180	900,000
Issue of shares	03 May 2016	9,267,233	\$0.180	1,668,102
Costs of issuing equity		-	-	(110,566)
Balance	30 June 2016	<u>101,929,174</u>		<u>8,308,420</u>

Movements in share options

Details	Date	#	Issue price	\$
Balance	1 July 2014	-		-
Issue of share options		<u>84,619,770</u>	\$0.015	<u>1,269,298</u>
Balance	30 June 2015	84,619,770		1,269,298
Exercise of options	09 December 2015	(50,000)	\$0.200	(750)
Exercise of options	18 December 2015	(550,000)	\$0.200	(8,250)
Exercise of options	29 December 2015	(1,211,505)	\$0.200	(18,172)
Exercise of options	31 December 2015	(890,000)	\$0.200	(13,350)
Exercise of options	11 January 2016	(265,667)	\$0.200	(3,985)
Exercise of options	14 January 2016	<u>(75,000)</u>	\$0.200	<u>(1,125)</u>
Balance	30 June 2016	<u>81,577,598</u>		<u>1,223,666</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.

Note 8. Equity - issued capital (continued)

Share options

Each option has an exercise price of \$0.20 (20 cents) and an expiry date of 28 February 2017. Option holders do not participate in dividends or the proceeds on the winding up of the company.

On 2 February 2015, the consolidated entity announced a pro rata non-renounceable offer of 2 New Options for every 3 Shares held by eligible shareholders registered at the record date under the offer with an issue price of \$0.015 (1.5 cents) per option with each New Option exercisable at \$0.20 (20 cents) per option on or before 28 February 2017. The offer was fully underwritten by PAC Partners Pty Ltd and raised a total of \$821,198 with 54,746,513 listed options being issued.

On 12 May 2015, the consolidated entity announced the listed issue of up to 29,873,257 New Options at an issue price of \$0.015 (1.5 cents) per option, exercisable at \$0.20 (20 cents) per option on or before 28 February 2017. Under the offer if a New Option is exercised on or before 1 January 2016, the holder is entitled to receive a 'Piggy Back Option', exercisable at \$0.25 on or before 1 January 2018. The Offer was not underwritten and only made to persons nominated by the Company. On 20 May 2015 the consolidated entity issued the 29,873,257 New Options raising a total of \$448,099 before costs.

A class shares do not have any voting rights.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 9. Events after the reporting period

On 22 June 2016 the consolidated entity announced that it had entered into an agreement to raise \$5 million through the issue of Convertible Notes (Notes) to new and existing institutional and sophisticated investors.

The key terms of the convertible notes are as follows:

- 2 Year term

- Conversion Price of A\$0.15

- Coupon Rate of 9.95% per annum

- Convertible Notes can only be converted after 12 months from the issue date at the lesser of \$0.15 (15 cents) or convertible at a price of at least 80% of the last issue prices at which the Company issued shares for cash consideration prior to the date of the conversion notice.

- The Company can redeem the notes at any time after 12 months from issue.

On 17 August 2016, the consolidated entity issued 6,948 Series 2 Notes, raising \$694,800 before costs.

The consolidated entity also issued 2,000,000 fully paid ordinary shares for services provided pursuant to a placement agreement.

No other matter or circumstance has arisen since 30 June 2016 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.

Note 10. Earnings per share

	Consolidated	
	2016	2015
	\$	\$
Loss after income tax attributable to the owners of Connexion Media Limited	<u>(6,860,709)</u>	<u>(6,099,102)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>89,245,113</u>	<u>70,494,990</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>89,245,113</u>	<u>70,494,990</u>
	Cents	Cents
Basic earnings per share	(7.69)	(8.65)
Diluted earnings per share	(7.69)	(8.65)

The options held by option holders were not included in the weighted average number of ordinary shares used in calculating dilutive earnings per share as they did not meet the requirements for inclusion as outlined in AASB 133 "Earnings per Share". The options were non-dilutive as the consolidated entity made a loss for the year.