# Connexion Media Limited

**ABN 68 004 240 313**

# Annual Report - 30 June 2018

**Connexion Media Limited**
**Contents**
**30 June 2018**

| | |
|---|---|
| Directors | David James Connolly<br>Mark Caruso<br>Robert Downey |
| Company secretary | Peter Torre |
| Registered office | Level 1, 11-19 Bank Place<br>Melbourne, VIC 3000<br>Phone: +61 3 9529 2655 |
| Principal place of business | Level 1, 11-19 Bank Place<br>Melbourne, VIC 3000 |
| Share register | Boardroom Pty Limited<br>Level 12, 225 George Street<br>Sydney NSW 2000<br>Phone: +61 2 9290 9600 |
| Auditor | William Buck<br>Level 20, 181 William Street<br>Melbourne VIC 3000 |
| Bankers | Commonwealth Banking Corporation Limited |
| Stock exchange listing | Connexion Media Limited shares are listed on the Australian Securities Exchange (ASX code: CXZ) |
| Website | www.connexionltd.com |

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Connexion Media Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

## Directors
The following persons were directors of Connexion Media Limited during the whole of the financial year and up to the date of this report, unless otherwise stated.
Mark Caruso (Non-Executive Director)
David Connolly (Non-Executive Director)
Robert Downey (Non-Executive Director)

## Principal activities
During the financial year the principal activities of the consolidated entity consisted of carrying out its endeavours to realise revenue streams from its two core products, CXZ Telematics and miRoamer.

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

## Review of operations
The profit for the consolidated entity after providing for income tax amounted to $361,804. (2017 loss: $3,971,672).

Total revenues from ordinary activities for the period were $1,105,485 (2017: $1,056,207). The consolidated entity also recognised $1,339,455 ($1,522,074 less fees imposed by the ATO)in R&D tax incentive amounts receivable during the half-year period (2017: $2,392,671). There was an overall decrease in employment costs and operating activities during the period, following an increase in amortisation relating to our R&D activities.

The net assets of the consolidated entity increased during the half-year by $6,747,297 to a net asset surplus of $809,317. The improvement in the net assets was a result of operational performance, conversion of the convertible notes and further development of the Company's intellectual properties.

The company has maintained a focus on increasing revenues and decreasing costs. Key achievement during the year have been realizing revenues and project progress with key clients, extinguishing substantial debts, maintaining an appropriate level of headcount through the period, and the assessment of other project opportunities.

## General Motors Commercial Link

The Company's revenue share project with General Motors to deliver the Commercial Link programs to fleet managers has delivered anticipated revenues. We announced on 22 May 2017 the sales territory expansions to Canada and Mexico, the project to localize the technology and operations to those territories has been substantially completed during the year. The General Motors companies in those respective regions will seek to expand the adoption of Commercial Link, in line with other OnStar services, as the new model vehicles are sold with connectivity to the OnStar platform.

From a product adoption perspective in the United States territory we have seen an increase in fleet managers using the tool, from 300 in August 2017 to 445 in August 2018. With the increasing adoption of the Commercial Link program for fleet management we have seen an increase in free trial usage.

## Corporate

On 27 November 2017 the consolidated entity announced the conversion of all Series 1 and Series 2 Convertible Notes and accrued interest at a share price of $0.0104. A total of 599,289,246 fully paid ordinary shares were issued upon conversion. The consolidated entity had also completed a placement of 384,615 shares at a share price of $0.0130 to cover the costs associated with the negotiations and conversions of the Convertible Notes.

On 10 January 2018, the consolidated entity announced that it had entered into an exclusive binding term sheet to acquire 100% ownership of the Security Shift Group of companies (“SSG”). Completion of the acquisition was subject to the satisfaction of a number of conditions precedent, as outlined in the Company’s announcements. These conditions were not satisfied and the acquisition will not proceed. As such, the facility provided by Lucerne Investment Partners to assist with the acquisition was not drawn down.

In December 2017, the consolidated entity issued a prospectus for the non-renounceable entitlement offer to issue 1 fully paid ordinary share for every 6 shares held at an issue of $0.01 per share to raise up an approximate $1,195,995 (before costs). The Offer closed on 19 January 2018, undersubscribed. The consolidated entity received applications for 15,208,377 from eligible shareholders, raising $152,084 (approximately 12.7% of all shares under the entitlement offer).

On 19 February 2018, the consolidated entity advised that it had received the net 2017 Research and Development Rebate (R&D Rebate) of $1,339,455 ($1,522,074 less fees imposed by the ATO). Subsequent to this, the consolidated entity settled the Short-Term Facility provided by Principis Master Fund SPC – Lucerne Composite Master Fund SP, which has an outstanding balance of $808,100 (principal and capitalised interest), and proceeded to seek the release of any associated security.

In the same month the other secured loan held by the Company was rolled forward for 12 months, with an effective interest rate of 18.33% per annum, paid annually in advance.

On 27 February 2018, the consolidated entity received a claim for employment-related damages of approximately US$193,000 from an ex-employee. The Board of Directors proceeded to defend the claim and settled the matter for an immaterial amount, substantially less than the original claim.

## Outlook:

As it relates to the General Motors relationship the company anticipates conservative growth of the Commercial Link platform whilst continuing to bid for further project opportunities leveraging the OnStar Application Programming Interface connectivity with the potential use cases for the OnStar data expanding. The Company’s competitive advantage in the supply of these projects is the ability to reuse existing digital infrastructure and expand on substantial investments in high capacity service bus connectivity.

## Significant changes in the state of affairs

Other than disclosed elsewhere in this report, there were no significant changes in the state of affairs of the consolidated entity during the financial year.

## Matters subsequent to the end of the financial year

A dispute with a former employee was settled during the month of July 2018 for the amount USD$18,500. The accrued amount is included in trade and other payables in the statement of financial position.

On 7th July 2018 7,133,617 unlisted options issued with an exercise price of $0.25 expired.

On 11 September 2018, the Company completed a placement of 109 million shares to raise $656,000 before costs.

On 3 August 2018 David Connolly transitioned to Non-Executive Director subsequent to the year end.

No matter or circumstance has arisen since 30 June 2018 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.

## Likely developments and expected results of operations

Other than matters already disclosed in the Review of operations, pursuant to sections 299(3) and 299A(3) of the Corporations Act 2001, this Report omits information relating to likely developments in the company's operations in the future because to do so will result, in the opinion of the Directors, in unreasonable prejudice to the consolidated entity.

### Environmental regulation
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

### Information on directors

| | |
|---|---|
| Name: | Mr Mark Caruso |
| Title: | Non-Executive Chairman (Appointed 3 April 2017) |
| Experience and expertise: | Mr Caruso is a successful executive and entrepreneur with a strong, transferrable business acumen. He has substantial corporate experience driving growth and creating value in small companies. Previously, Mr Caruso was the Chairman of Allied Gold Mining PLC (AGMP) and was responsible for the delivery of the Gold Ridge Project in the Solomon Island and the Simberi Gold Project in Papua New Guinea |
| Other current directorships: | Executive Chairman of Mineral Commodities Ltd since September 2000. |
| Former directorships (last 3 years): | Non-Executive Director of Perpetual Resources Limited |
| Interests in shares: | 62,960,960 Fully Paid Ordinary Shares |
| Interests in options: | Nil |

| | |
|---|---|
| Name: | Mr David Connolly |
| Title: | Non-Executive Director (Appointed 22 November 2016) |
| Experience and expertise: | Mr Connolly is currently a Platform Sales Executive at Oracle. He has a long track record of successfully over-achieving on his sales targets across a range of industries and has extensive experience in driving growth in early stage companies. Mr Connolly is a Dean Scholarship-awarded graduate of the prestigious Swinburne International Bachelor of IT program and an Inferno Award-winning graduate of the IBM Global Sales School program |
| Other current directorships: | Nil |
| Former directorships (last 3 years): | None |
| Interests in shares: | Nil |
| Interests in options: | Nil |

| | |
|---|---|
| Name: | Mr Robert Downey |
| Title: | Non-Executive Director (Appointed 26 June 2017) |
| Experience and expertise: | Robert is a qualified solicitor who has practised mainly in the areas of international resources law, corporate law and initial public offerings as well as mergers and acquisitions. He has extensive experience as an advisor, founder and director of various ASX, TSX and AIM companies. Mr Downey is currently a partner at Dominion Legal, a boutique law firm in Perth. |
| Other current directorships: | Nil |
| Former directorships (last 3 years): | None |
| Interests in shares: | Nil |
| Interests in options: | Nil |

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

### Company secretary – Peter Torre
Peter is the principal of Torre Corporate – a specialist corporate advisory firm which provides corporate secretarial services to a range of listed companies. Prior to establishing Torre Corporate, Peter was a partner and Chairman of the National Corporate Services Committee of an internationally affiliated firm of Chartered Accountants working within its corporate services division for over nine years.

**Meetings of directors**
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2018, and the number of meetings attended by each director were:

| | Full Board | |
|---|---|---|
| | Attended | Held |
| Mark Caruso | 5 | 5 |
| David Connolly | 5 | 5 |
| Robert Downey | 5 | 5 |

The directors held further discussion on an ongoing and regular basis.

**Remuneration report (audited)**
The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

***Principles used to determine the nature and amount of remuneration***
The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

*Non-executive directors remuneration*
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors remuneration be determined periodically by a general meeting. The current aggregate remuneration limit is $250,000.

*Executive remuneration*
The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments where applicable
- other remuneration such as superannuation and long service leave

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

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The Company did not offer a short or long-term incentive plan to its Directors and Key Management Personnel during the year. As at the date of this report, plans are being established which will enable short and long term incentives to be utilised during the 2018/19 financial year.

*Consolidated entity performance and link to remuneration*
Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Board.

The Board is of the opinion that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

*Voting and comments made at the company's 2017 Annual General Meeting ('AGM')*
At the 2017 AGM, 97% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2017. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

***Details of remuneration***

*Amounts of remuneration*
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

| | Short-term benefits | | | Post-employment benefits | Long-term benefits | Share-based payments | |
|---|---|---|---|---|---|---|---|
| **2018** | Cash salary and fees $ | Cash bonus $ | Non-monetary $ | Super-annuation $ | Long service leave $ | Equity-settled $ | Total $ |
| *Non-Executive Directors:* | | | | | | | |
| Mark Caruso | 30,000 | - | - | - | - | - | 30,000 |
| Robert Downey | 30,000 | - | - | 2,850 | - | - | 32,850 |
| *Executive Directors:* | | | | | | | |
| David Connolly | 30,000[1] | - | - | - | - | - | 30,000 |
| | 90,000 | - | | 2,850 | - | - | 92,850 |

Mr Connolly transitioned to Non-Executive Director subsequent to the year end.

| 2017 | Short-term benefits<br>Cash salary and fees<br>$ | Cash bonus<br>$ | Non-monetary<br>$ | Post-employment benefits<br>Super-annuation<br>$ | Long-term benefits<br>Long service leave<br>$ | Share-based payments<br>Equity-settled<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|---|
| *Non-Executive Directors:* | | | | | | | |
| John Conomos | 45,833 | - | - | 4,354 | - | - | 50,187 |
| Mark Caruso | 7,500 | - | - | - | - | - | 7,500 |
| Robert Downey | - | - | - | - | - | - | - |
| John Dimitropoulos* | 19,783 | - | - | 217 | - | - | 20,000 |
| *Executive Directors:* | | | | | | | |
| David Connolly | 18,068 | - | - | 1,716 | - | - | 19,784 |
| Junior Barrett*** | 75,714 | - | - | - | - | - | 75,714 |
| George Parthimos** | 290,986 | - | 28,750 | 30,375 | - | - | 350,111 |
| Eric Jiang** | 148,125 | - | - | 14,072 | - | - | 162,197 |
| | 606,009 | - | 28,750 | 50,734 | - | - | 685,493 |

* John Dimitripoulos resigned 30 March 2017.
** George Parthimos resigned 25 June 2017. Eric Jiang resigned 5 May 2017.
*** Salary is translated from USD to AUD.

***Service agreements***
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements were as follows:

| | |
|---|---|
| Name: | Mr David Connolly |
| Title: | Executive Director |
| Agreement commenced: | 22 November 2016 |
| Term of agreement: | Continuous and concludes upon termination of services as employee |
| Details: | Details: Mr Connolly is remunerated at a level of $30,000 per annum. No bonuses were paid in 2018. |

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

***Share-based compensation***

*Issue of shares*
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2018.

*Options*
There were no options issued, held or vested by Directors or Key Management Personnel during the current year.

### *Additional disclosures relating to key management personnel*

*Shareholding*
The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

| | Balance at the start of the year | Received as part of remuneration | Exercise of options | Additions | Disposals/ other | Disposal as a result resignation | Balance at the end of the year |
|---|---|---|---|---|---|---|---|
| *Ordinary shares* | | | | | | | |
| Mark Caruso | 4,319,680 | - | - | 58,641,280 | - | - | 62,960.960 |
| David Connolly | - | - | - | - | - | - | - |
| Robert Downey | - | - | - | - | - | - | - |
| | 4,319,680 | - | - | 58,641,280 | - | - | 62,960,960 |

***This concludes the remuneration report, which has been audited.***

**Shares under option**
Unissued ordinary shares of Connexion Media Limited under option at the date of this report are as follows:

| Grant date | Expiry date | Exercise price | Number under option |
|---|---|---|---|
| 6 July 2016 | 7 July 2018 | $0.25 | 7,133,617 |

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

On 6 July 2016 7,133,617 unlisted options issued with an exercise price of $0.25 expiring on the second anniversary of their issue date. The options have been included in the above table as they were issued as free-attaching options to other equity instruments. These options expired, unexercised, on 7th July 2018.

**Indemnity and insurance of officers**
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

**Indemnity and insurance of auditor**
The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

**Proceedings on behalf of the company**
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

**Non-audit services**
During the year non-audit services were provided by the Company’s auditor. They provided advice in respect of the capital raising prospectus to convert the Convertible Notes to equity in November 2017.

**Officers of the company who are former partners of William Buck**
There are no officers of the company who are former partners of William Buck.

**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.

**Auditor**
William Buck continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Mark Caruso
Chairman

18 September 2018

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF CONNEXION MEDIA LIMITED**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2018 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

**William Buck Audit (Vic) Pty Ltd**
ABN 59 116 151 136

**J. C. Luckins**
Director

Dated this 18th day of September, 2018

**CHARTERED ACCOUNTANTS & ADVISORS**
Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
**williambuck.com**

**Connexion Media Limited**
**Statement of profit or loss and other comprehensive income**
**For the year ended 30 June 2018**

| | Note | Consolidated 2018 $ | 2017 $ |
|---|---|---|---|
| Revenue | 5 | 1,105,485 | 1,056,207 |
| Other income | 5 | 1,524,782 | 2,415,420 |
| **Total Revenue** | | 2,630,267 | 3,471,627 |
| **Cost of Sales** | | (109,436) | (494,903) |
| **Gross Profit** | | 2,520,831 | 2,976,724 |
| **Expenses** | | | |
| Corporate and administrative expenses | 6 | (875,855) | (5,388,174) |
| Selling, distribution and marketing expenses | 6 | (9,508) | (241,296) |
| Research and development costs | | (314,954) | (793,905) |
| Depreciation and amortisation expenses | | (151,867) | (1,999) |
| Finance costs | 6 | (838,884) | (523,022) |
| **Profit/(Loss) before income tax expense** | | 329,763 | (3,971,672) |
| Income tax expense | 7 | - | - |
| **Profit/(Loss) after income tax expense for the year attributable to the owners of Connexion Media Limited** | | 329,763 | (3,971,672) |
| Other comprehensive income for the year, net of tax | | 32,041 | - |
| **Total comprehensive profit/(loss) for the year attributable to the owners of Connexion Media Limited** | | 361,804 | (3,971,672) |
| | | **Cents** | **Cents** |
| Basic profit/(loss) per share | 26 | 0.07 | (3.77) |
| Diluted profit/(loss) per share | 26 | 0.07 | (3.77) |

*The above consolidated 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 2018**

| | Note | Consolidated 2018 $ | 2017 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 168,052 | 367,194 |
| Trade and other receivables | 9 | 198,909 | 49,437 |
| Prepayments | 8 | 36,666 | - |
| Inventory | | 21,961 | 84,772 |
| Total current assets | | 425,588 | 501,403 |
| **Non-current assets** | | | |
| Plant and equipment | 10 | 3,648 | 7,192 |
| Capitalised development costs | 11 | 606,647 | - |
| Total non-current assets | | 610,295 | 7,192 |
| **Total assets** | | 1,035,883 | 508,595 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 325,171 | 771,055 |
| Employee benefits | 13 | 8,186 | 95,097 |
| Convertible notes | 14 | - | 2,000,000 |
| Borrowings | 15 | 300,000 | 604,699 |
| Total current liabilities | | 633,357 | 3,470,851 |
| **Non-current liabilities** | | | |
| Convertible notes | 14 | - | 3,380,782 |
| Other non-current liabilities | | - | 1,733 |
| Total non-current liabilities | | - | 3,382,515 |
| **Total liabilities** | | 633,357 | 6,853,366 |
| **Net assets/(liabilities)** | | 402,526 | (6,344,771) |
| **Equity** | | | |
| Issued capital | 16 | 15,748,539 | 9,363,046 |
| Foreign currency translation reserve | | 32,041 | - |
| Accumulated losses | | (15,378,054) | (15,707,817) |
| **Total equity/(deficiency)** | | 402,526 | (6,344,771) |

*The above consolidated 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 2018**

| Consolidated | Issued Capital $ | Foreign Currency Translation Reserve $ | Accumulated Losses $ | Total equity $ |
|---|---|---|---|---|
| Balance at 1 July 2016 | 9,532,086 | - | (12,959,811) | (3,427,725) |
| Loss after income tax expense for the year | - | - | (3,971,672) | (3,971,672) |
| Other comprehensive income for the year, net of tax | - | - | - | - |
| Total comprehensive loss for the year | - | - | (3,971,672) | (3,971,672) |
| *Transactions with owners in their capacity as owners:* | | | | |
| Issue of shares (note 16) | 1,054,626 | - | - | 1,054,626 |
| Net charges from option issuance/cancellation (note 16) | (1,223,666) | - | 1,223,666 | - |
| Balance at 30 June 2017 | 9,363,046 | - | (15,707,817) | (6,344,771) |

| Consolidated | Issued Capital $ | Foreign Currency Translation Reserve $ | Accumulated losses $ | Total equity $ |
|---|---|---|---|---|
| Balance at 1 July 2017 | 9,363,046 | - | (15,707,817) | (6,344,771) |
| Profit after income tax expense for the year | | | 329,763 | 329,763 |
| Other comprehensive income for the year, net of tax | - | 32,041 | - | 32,041 |
| Total comprehensive income for the year | - | 32,041 | 329,763 | 361,803 |
| *Transactions with owners in their capacity as owners:* | | | | |
| Issue of shares (note 16) | 6,385,493 | - | - | 6,385,493 |
| Balance at 30 June 2018 | 15,748,539 | 32,041 | (15,378,054) | 402,526 |

*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 2018**

| | Note | Consolidated 2018 $ | 2017 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 1,251,889 | 1,178,661 |
| Payments to suppliers and employees | | (1,998,777) | (6,915,981) |
| Cash received from R&D tax refund | | 1,339,455 | 2,392,671 |
| Interest received | | - | 2,001 |
| Interest paid | | (189,620) | (523,022) |
| Net cash from/(used) in operating activities | 25 | 402,947 | (3,865,670) |
| **Cash flows from investing activities** | | | |
| Net cash flows from the addition and disposal of plant and equipment | | 3,081 | (1,379) |
| Payments for capitalised development costs | | (758,051) | - |
| Security deposit release | | - | 80,989 |
| Net cash from/(used) used in investing activities | | (754,970) | 79,610 |
| **Cash flows from financing activities** | | | |
| Proceeds from issues of shares, net of costs | | 152,884 | 834,626 |
| Proceeds from issue of convertible notes, net of transaction costs | | - | 2,992,239 |
| Cash flows from loans to other entities | | - | - |
| Proceeds from / (repayments of) borrowings, net of costs | | - | 250,000 |
| Net cash from financing activities | | 152,884 | 4,076,865 |
| Net increase/(decrease) in cash and cash equivalents | | (199,139) | 290,805 |
| Cash and cash equivalents at the beginning of the financial year | | 367,194 | 76,389 |
| Cash and cash equivalents at the end of the financial year | | 168,052 | 367,194 |

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

## Note 1. General information

The financial statements cover Connexion Media Limited (the Company) 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 presentation currency of the 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 1, 11-19 Bank Pl,
Melbourne VIC 3000

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.

## 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 a going concern basis, which assumes the continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary course of business. For the period ended 30 June 2018 the consolidated entity earned a net profit of $329,763 (2017: loss $3,971,672). Net cash flows from operating, activities for the current year totalled $402,947 (2017: Outflows of $3,865,670). As at 30 June 2018 the consolidated entity had an excess of current liabilities over current assets of $207,769 (2017: 2,969,448) and an excess of total liabilities over total assets of $6,344,771 in 2017 to a net asset position of $402,526 in 2018.

The Board is of the view that sufficient inflow of funds through:

- Research and Development Tax Incentives
- Generation of Revenue from Customers
- Raising further equity where required will be generated to meet the reduced cash outflows and other commitments arising throughout the coming year and approximately $656,000 has been raised as additional capital since 30 June 2018.

Accordingly, Directors believe the consolidated entity will be able to continue as a going concern and will be able pay its debts as and when they fall due for a period of at least 12 months from the date of these financial statements. Accordingly, these financial statements do not include any adjustments in relation to the recoverability or classification of recorded assets or to the amounts of the classification of liabilities that may be necessary should the consolidated entity not be able to continue as a going concern.

## Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

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

*Critical accounting estimates*
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

## Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Connexion Media Limited as at 30 June 2018 and the results of its controlled entities for the year then ended. Together these are referred to in these financial statements as the 'consolidated entity'.

Controlled entities are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

**Note 2. Significant accounting policies (continued)**

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over an entity, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**Revenue recognition**
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

*Sale of goods*
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

*Interest*
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Government subsidies*
Subsidies from the government including R&D tax incentive income, are recognised as income at their fair value where there is reasonable assurance that the grant will be received, the consolidated entity will comply with attached conditions and the R&D incentive is readily measurable.

*Other revenue*
Other revenue is recognised when it is received or when the right to receive payment is established.

**Income tax**
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

**Cash and cash equivalents**
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Note 2. Significant accounting policies (continued)**

**Trade and other receivables**
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

**Inventories**
Inventory consists of sophisticated telemetry devices, and is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Plant and equipment**
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives which are in between 3 - 10 years.

**Capitalised Development Costs**
Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Company is able to use or sell the assets; the Company has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years. Research costs are expensed in the period in which they are incurred.

**Trade and other payables**
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Borrowings**
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

Convertible notes are initially classified as a financial liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The corresponding interest on convertible notes is expensed to profit or loss.

**Finance costs**
Finance costs are expensed in the year that they are incurred.

**Note 2. Significant accounting policies (continued)**

## Employee benefits

*Short-term employee benefits*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

*Other long-term employee benefits*
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

*Defined contribution superannuation expense*
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

## Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

*AASB 9 Financial Instruments*
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity does not expect any material impact on implementation.

**Note 2. Significant accounting policies (continued)**

*AASB 15 Revenue from Contracts with Customers*
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018. The consolidated entity has made an assessment of the changes and does not expect any material impact on implementation. The Company has adopted the modified retrospective approach.

*AASB 16 Leases*
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019. The consolidated entity has made a preliminary assessment of the changes and does not expect any material impact on implementation.

## Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Capitalised development costs*
Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Company is able to use or sell the assets; the Company has sufficient resources; and intent to complete the development and its costs can be measured reliably. Management continually evaluates its judgements and estimates in relation to these capitalised costs. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances

*Recovery of deferred tax assets*
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

## Note 4. Operating segments

*Identification of reportable operating segments*
During the year ended 30 June 2018 the group operated in one segment, specialising in developing global information technology solutions for automotive industries in Australia. For the year ended 30 June 2018 all of its sales revenue was from one customer (2017: one customer).

## Note 5. Revenue

| | Consolidated | |
|---|---|---|
| | 2018<br>$ | 2017<br>$ |
| *Sales revenue* | | |
| Sales | 1,105,485 | 1,056,207 |
| | 1,105,485 | 1,056,207 |
| *Other income* | | |
| Interest | 2,708 | 22,749 |
| R&D tax offset | 1,522,074 | 2,392,671 |
| | 1,524,782 | 2,415,420 |
| Revenue | 2,630,267 | 3,471,627 |

## Note 6. Expenses

| | Consolidated | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| Profit/(Loss) before income tax includes the following specific expenses: | | |
| *Finance costs* | | |
| Interest and finance charges paid/payable | 838,884 | 523,022 |
| *Rental expense relating to operating leases* | | |
| Minimum lease payments | 77,760 | 87,450 |
| *Superannuation expense* | | |
| Defined contribution superannuation expense | 41,493 | 231,596 |
| *Employee benefits expense excluding superannuation* | | |
| Employee benefits expense excluding superannuation | 526,160 | 4,273,972 |

## Note 7. Income tax expense

Income tax expense has not been recognised for the period as the company is in an accumulated tax loss position.

Tax losses from previous periods have not been brought to account as utilisation of all of these losses is not probable. Income tax losses can only be recovered by the company deriving future assessable income, conditions for deductibility imposed by law being complied with and no charged in tax legislation adversely affecting the realisation of the benefit from the deductions. Therefore, carry forward losses may not be available to offset future assessable income.

As at 30 June 2018 the group had accumulated losses, as set out in the statement of financial position that may be applied in its calculation of carry-forward tax losses that may be potentially be offset against future assessable income. It is noted that not all amounts in accumulated losses would be included in carry-forward tax losses which may or may not be available to offset against assessable income which may arise in the future.  However, this amount is not expected to be material.

## Note 8. Current assets - Prepayments

| | Consolidated | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| Prepaid interest - Loan | 36,666 | - |
| | 36,666 | - |

## Note 9. Trade and other receivables

| | Consolidated | |
|---|---|---|
| | **2018** | **2017** |
| | **$** | **$** |
| Trade receivables | 36,843 | 84,772 |
| ATO receivable | 162,066 | - |
| | 198,909 | 84,772 |

The ATO receivable relates to monies previously held by the Australian Taxation Office, which will be remitted back to the Company.

## Note 10. Non-current assets - Plant and equipment

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| Plant and equipment - at cost | 6,110 | 9,191 |
| Less: Accumulated depreciation | (2,462) | (1,999) |
| | 3,648 | 7,192 |

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

| **Consolidated** | **Office equipment $** |
|---|---|
| Balance at 1 July 2017 | 7,192 |
| Additions | - |
| Disposals | (3,081) |
| Balance at 30 June 2018 | 4,111 |
| Depreciation expense for the period | (463) |
| Balance at 30 June 2018 | 3,648 |

## Note 11. Capitalised development costs

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| Development asset – at cost | 758,051 | - |
| Less: Accumulated amortisation | (151,404) | - |
| | 606,647 | - |

From 1 July 2017, the Company recognized developed intangible assets in terms of its Aus Industry and ATO R&D tax incentive programme. These intangible assets comprised the key technologies developed for use in the Company's operations – telematics and wireless communications.

Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Company is able to use or sell the assets; the Company has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years. Research costs are expensed in the period in which they are incurred.

The total R&D tax incentive receivable is apportioned between other income and the capitalised development asset based on the split of expenditure in the claim.

## Note 12. Current liabilities - trade and other payables

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| Trade payables | 256,249 | 250,356 |
| Other payables | 68,922 | 520,699 |
| | 325,171 | 771,055 |

Refer to note 18 for further information on financial instruments.

## Note 13. Current liabilities - employee benefits

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| Annual leave | 8,186 | 95,097 |
| | 8,186 | 95,097 |

## Note 14. Convertible notes

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| Convertible notes payable – Series 1 | - | 2,000,000 |

In August 2015, the Company announced the completion of a capital raising through the issue of convertible notes to sophisticated and professional investors, raising $2 million (“Series 1”).

The Series 1 notes were converted to equity on 27 November 2017. Details in Note 16 below.

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| Convertible notes payable – Series 2 | - | 3,380,782 |

On 22 June 2016, the Company announced a raising of $5 million through the issue of convertible notes to new and existing sophisticated and professional investors. The raising was not fully subscribed, and $3,449,000 before transaction costs was raised (“Series 2”).

The Series 2 notes were converted to equity on 27 November 2017. Details in Note 16 below.

## Note 15. Borrowings

| | Consolidated 2018 $ | Consolidated 2017 $ |
|---|---|---|
| Line of credit | - | 250,000 |
| Secured loan | 300,000 | 354,699 |
| | 300,000 | 604,699 |

Line of credit
At 30 June 2017, the Company announced the finalisation and execution of a Loan Facility Agreement with Lucerne Composite Master Fund SP ("Lucerne") for a facility of up to $1 million. The Facility is in the form of a revolving corporate line of credit and will be secured by way of a charge over CXZ's Research and Development (R&D) Tax Rebate. The first $250,000 was received on 30 June 2017. The Facility incurs interest at 36% per annum, payable monthly in arrears, and the principal will be repaid upon receipt of the R&D Tax Rebate or 6 months, whichever occurs earlier. This facility was fully repaid during the year.

Secured loan
On 21 January 2013 the legal parent entity, Connexion Media Limited, entered into a loan agreement with a third party investor. The loan's maturity date was extended to 28 January 2019. There is no share conversion to equity option attached to the loan. The loan is secured by a registered charge over the company's real and intangible property. The loan attracts an annual interest charge of 15% which is prepaid.

## Note 16. Equity - issued capital

| | Consolidated | | | |
|---|---|---|---|---|
| | 2018 Number | 2017 Number | 2018 $ | 2017 $ |
| Ordinary shares - fully paid | 732,805,112 | 117,822,774 | 15,748,539 | 9,363,046 |
| Share options | 7,133,617 | 10,175,789 | - | - |
| | 739,938,729 | 127,998,563 | 15,748,539 | 9,363,046 |

*Movements in ordinary share capital*

| Details | Date | # | Issue price | $ |
|---|---|---|---|---|
| Balance | 30 June 2015 | 84,619,770 | | 5,196,817 |
| Exercise of share options | 9 December 2015 | 50,000 | $0.215 | 10,750 |
| Exercise of share options | 18 December 2015 | 550,000 | $0.215 | 118,250 |
| Exercise of share options | 29 December 2015 | 1,211,505 | $0.215 | 260,474 |
| Exercise of share options | 31 December 2015 | 890,000 | $0.215 | 191,350 |
| Exercise of share options | 11 January 2016 | 265,667 | $0.215 | 57,118 |
| Exercise of share options | 14 January 2016 | 75,000 | $0.215 | 16,125 |
| Issue of shares | 3 March 2016 | 4,999,999 | $0.180 | 900,000 |
| Issue of shares | 3 May 2016 | 9,267,233 | $0.180 | 1,668,102 |
| Costs of issuing equity | | - | - | (110,566) |
| Balance | 30 June 2016 | 101,929,174 | | 8,308,420 |
| Issue of shares | 19 August 2016 | 2,000,000 | $0.110 | 220,000 |
| Issue of shares | 9 February 2017 | 3,711 | $0.200 | 742 |
| Issue of shares | 3 April 2017 | 13,888,889 | $0.070 | 1,000,000 |
| Issue of shares | 28 April 2017 | 1,000 | $0.070 | 72 |
| Costs of issuing equity | | | | (166,188) |
| Balance | 30 June 2017 | 117,822,774 | | 9,363,046 |
| Conversion of Series 1 Notes | 27 November 2017 | 218,275,454 | $0.0104 | 2,270,064 |
| Conversion of Series 2 Notes | 27 November 2017 | 381,013,892 | $0.0104 | 3,962,545 |
| Issue of Shares | 27 November 2017 | 384,615 | $0.0130 | 5,000 |
| Issue of Shares | 8 December 2017 | 100,000 | $0.0130 | 1,300 |
| Costs of Issuing Equity | 31 December 2017 | | | (5,500) |
| Issue of Shares | 25 January 2018 | 15,208,377 | $0.0100 | 152,083 |
| Balance | 30 June 2018 | 732,805,112 | | 15,748,539 |

## Note 16. Equity - issued capital (continued)

*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.

*Movements in options*

| Details | Date | # | Issue price | $ |
|---|---|---|---|---|
| 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 | (75,000) | $0.200 | (1,125) |
| Balance | 30 June 2016 | 81,577,598 | | 1,223,666 |
| Issue of share options | 6 July 2016 | 3,042,172 | $0.000 | - |
| Issue of share options | 6 July 2016 | 7,133,617 | $0.000 | - |
| Exercise of options | 9 February 2017 | (3,711) | $0.200 | (742) |
| Expiration of share options | 3 March 2017 | (81,573,887) | $0.200 | (1,222,924) |
| Balance | 30 June 2017 | 10,175,789 | | - |
| Expiration of share options | 1 January 2018 | (3,042,172) | $0.25 | - |
| Balance | 30 June 2018 | 7,133,617 | | - |

*Share options*

On 6 July 2016, 3,042,172 unlisted options were issued with an exercise price of $0.25 expiring 1 January 2018, as well as an additional 7,133,617 unlisted options issued with an exercise price of $0.25 expiring on the second anniversary of their issue date. The options have been included in the above table as they were issued as free-attaching options to other equity instruments. The 7,133,167 options expired on 6 July 2018, unexercised.

*Capital risk management*
The Company'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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company would look to raise capital where an opportunity to invest in a business or company was seen as value adding relative to the Company’s share price at the time of the investment. The Company is actively pursuing additional investments in the short term that require capital to be raised as it continues to integrate and grow its existing businesses in order to maximise shareholder return.

## Note 17. Equity - dividends

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

## Note 18. Financial instruments

### *Financial risk management objectives*
The consolidated entity's activities expose it to two financial risks: market risk (interest rate risk) and liquidity risk. The consolidated entity's overall risk management program focuses on the management of these risks through cashflow forecasting capital management.

Risk management is carried out by management and the Board of Directors ('the Board') informally on a frequent periodic basis. The process include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits.

### *Market risk*

*Interest rate risk*
The consolidated entity's main interest rate risk arises from short-term borrowings. Borrowings issued at fixed rates expose the consolidated entity to fair value interest rate risk. Current borrowings are all short-term, limiting fair value interest rate risk. Borrowings currently held are at a fixed interest rate, and no interest rate risk applies.

### *Liquidity risk*
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

*Remaining contractual maturities*
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| **Consolidated – 2018** | Weighted average interest rate % | Between 0 – 6 months $ | Between 6 – 12 months $ | Between 1 and 2 years $ | Between 2 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | | |
| *Non-interest bearing* | | | | | | | |
| Trade payables | - | 325,171 | - | - | - | - | 325,171 |
| Other loans | 15.00% | - | 300,000 | - | - | - | 300,000 |
| Total non-derivatives | | 325,171 | 300,000 | - | - | - | 625,171 |

| **Consolidated - 2017** | Weighted average interest rate % | Between 0 – 6 months $ | Between 6 – 12 months $ | Between 1 and 2 years $ | Between 2 and 5 years $ | Over 5 years $ | Remaining contractual maturities $ |
|---|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | | |
| *Non-interest bearing* | | | | | | | |
| Trade payables | - | 771,055 | - | - | - | - | 771,055 |
| Other loans | 15.00% | 354,699 | - | - | - | - | 354,699 |
| Borrowings | 36.00% | 250,000 | - | - | - | - | 250,000 |
| Convertible notes payable | 9.95% | 2,000,000 | - | 3,380,782 | - | - | 5,380,782 |
| Total non-derivatives | | 3,375,754 | - | 3,380,782 | - | - | 6,756,536 |

## Note 18. Financial instruments (continued)

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

***Fair value of financial instruments***
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

## Note 19. Key management personnel disclosures

*Directors*
The following persons were directors of Connexion Media Limited during the financial year:

Mark Caruso (Non-Executive Director)
David Connolly (Executive Director)
Robert Downey (Non-Executive Director)

## Note 19. Key management personnel disclosures (continued)

*Compensation*
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Short-term employee benefits | 90.000 | 634,759 |
| Post-employment benefits | 2,850 | 50,734 |
| | 92,850 | 685,493 |

## Note 20. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by William Buck, the auditor of the company:

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| *Audit services - William Buck* | | |
| Audit or review of the financial statements | 38,000 | 46,000 |
| *Other services - William Buck* | | |
| Other assurance services | 5,000 | - |
| | 43,000 | 46,000 |

## Note 21. Related party transactions

*Parent entity*
Connexion Media Limited is the parent entity.

*Key management personnel*
Disclosures relating to key management personnel are set out in note 19 and the remuneration report included in the directors' report.

*Transactions with related parties*
Legal consultation fees with Dominion Legal, totalling $73,316 were entered into during the year. Robert Downey is a partner in Dominion Legal. There were no other transactions with related parties.

*Receivable from and payable to related parties*
The group has a trade payable balance of $73,316 due to Dominion Legal as at year end. There were no other trade receivables from or trade payables to related parties at the current and previous reporting date.

*Loans to/from related parties*

There were no loans to/from related parties at the current and previous reporting date

*Terms and conditions*
All transactions were made on normal commercial terms and conditions and at market rates.

## Note 22. Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

| | | Ownership interest | |
|---|---|---|---|
| | **Principal place of business / Country of incorporation** | **2018 %** | **2017 %** |
| **Name** | | | |
| Connexion Media Inc. | United States of America | 100.00 | 100.00 |
| Flexvs Pty Ltd | Australia | 100.00 | 100.00 |
| miRoamer Pty Ltd | Australia | 100.00 | 100.00 |
| BC1125816 Trading as: Connexion Media Limited | Canada | 100.00 | - |
| CXZ Mexico | Mexico | 100.00 | - |

## Note 23. Parent entity information

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

| | Parent | |
|---|---|---|
| | **2018 $** | **2017 $** |
| Profit/(Loss) after income tax | 208,946 | (2,348,104) |
| Total comprehensive income (loss) | 208,946 | (2,348,104) |

## Note 23. Parent entity information (continued)

*Statement of financial position*

| | Parent 2018 $ | 2017 $ |
|---|---|---|
| Total current assets | 397,868 | 387,119 |
| Total assets | 1,884,396 | 394,311 |
| Total current liabilities | 307,700 | 2,956,665 |
| Total liabilities | 913,131 | 6,339,180 |
| Equity | | |
| Issued capital | 15,748,539 | 9,363,046 |
| Accumulated losses | (14,777,275) | (15,307,915) |
| Total equity/(deficiency) | 971,264 | (5,944,869) |

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2018 and 30 June 2017.

*Transactions between parent and its subsidiaries*
The parent company performs research and development services on behalf of its subsidiary, Connexion Media Inc. The respective revenue and expenses are determined at an arms-length basis, and are charged by intercompany loan. All intercompany transactions are eliminated upon consolidation.

*Contingent liabilities*
There were no contingent liabilities at 30 June 2018

*Capital commitments - Property, plant and equipment*
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017.

## Note 24. Events after the reporting period

A dispute with a former employee was settled during the month of July 2018 for the amount USD$18,500. The accrued amount is included in trade and other payables in the statement of financial position.

On 7th July 2018 7,133,617 unlisted options issued with an exercise price of $0.25 expired.

On 11 September 2018, the Company completed a placement of 109 million shares to raise $656,000 before costs.

On 3 August 2018 David Connolly transitioned to Non-Executive Director subsequent to the year end.

Other than disclosed elsewhere in this report, no other matter or circumstance has arisen since 30 June 2018 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 25. Reconciliation of profit/(loss) after income tax to net cash used in operating activities

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Profit/(Loss) after income tax expense for the year | 329,763 | (3,971,672) |
| Adjustments for: | | |
| Share based payments | - | 220,000 |
| Depreciation and amortisation | 151,867 | 1,999 |
| Finance charges included in loan payments | 547,128 | 118,218 |
| Foreign currency translation reserve | 32,041 | - |
| Change in operating assets and liabilities: | | |
| (Increase) / Decrease in other assets | (186,138) | 43,923 |
| (Increase) / Decrease in GST credits receivable | | (3,915) |
| (Increase) / Decrease in inventory | 62,811 | (84,772) |
| Increase / (Decrease) in trade and other payables | (445,881) | (243,232) |
| Increase / (Decrease) in employee benefits | (88,644) | 53,781 |
| Net cash used in operating activities | 402,947 | (3,865,670) |

## Note 26. Profit/(Loss) per share

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| Profit/(Loss) after income tax attributable to the owners of Connexion Media Limited | 329,763 | (3,917,672) |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 447,652,957 | 105,390,712 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 447,652,957 | 105,390,712 |
| | **Cents** | **Cents** |
| Basic profit / (loss) per share | 0.07 | (3.77) |
| Diluted profit / (loss) per share | 0.07 | (3.77) |

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 they expired around the year end date and the impact would not be material to the financial statements.

## Note 27. Commitments

| | Consolidated | |
|---|---|---|
| | 2018 $ | 2017 $ |
| *Lease commitments - operating* | | |
| Committed at the reporting date but not recognised as liabilities, payable: | | |
| Within one year | - | 79,750 |

**Connexion Media Limited**
**Directors' declaration**
**30 June 2018**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Mark Caruso
Chairman

18 September 2018

# Connexion Media Limited

## Independent auditor's report to members

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Connexion Media Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as a 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:
(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

CHARTERED ACCOUNTANTS & ADVISORS
Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

## Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the Company's current liabilities exceeded its current assets by $207,769. 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 Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section we have determined the matters described below to be key audit matters to be communicated in our report.

| CAPITALISATION OF DEVELOPMENTS COSTS | |
|---|---|
| **Area of focus**<br>**Refer also to notes 2 and 11** | **How our audit addressed it** |
| During the year the Group re-assessed its ability to comply with the AASB 138 – Intangible Assets requirements related to capitalisation of development costs. In previous years the Group expensed development costs through the consolidated statement of profit or loss and other comprehensive income.<br><br>During the year to 30 June 2018 the Group has capitalised $0.75 million in respect of development costs, which is offset by an amortisation charge of $0.15 million.<br><br>Determining the that the requirements could be met was complex and required judgements by the Directors and Group management, specifically in determining that the specific criteria, for capitalisation, stipulated by accounting standards has been addressed.<br><br>As a consequence we have determined this to be a key area of focus in the current year. | Our audit procedures included:<br><br>— Reviewed managements internal documentation and policy in respect of development costs; and<br><br>— Performed detailed testing over the development cost balance at 30 June 2018.<br><br>We also assessed the adequacy of the Group's disclosures in respect of the capitalised development costs. |

## Other Information

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

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

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

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

### Responsibilities of the Directors for the Financial Report

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

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

### Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

**www.auasb.gov.au/auditors_responsibilities/ar1.pdf** .

This description forms part of our independent auditor's report.

# Report on the Remuneration Report

## Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

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

## Responsibilities

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

William Buck

**William Buck Audit (Vic) Pty Ltd**
ABN: 59 116 151 136

**J. C. Luckins**
Melbourne, 18 September 2018

The shareholder information set out below was applicable as at 12 September 2018.

## Equity security holders

*Twenty largest quoted equity security holders*
The names of the twenty largest security holders of quoted equity securities are listed below:

| No. | Holder | Shares | % |
|---|---|---|---|
| 1 | CITICORP NOMINEES PTY LIMITED | 180,748,388 | 21.46% |
| 2 | ZURICH BAY HOLDINGS PTY LTD | 62,960,960 | 7.48% |
| 3 | ROCSANGE PTY LTD <S SUPERANNUATION FUND A/C> | 28,588,942 | 3.39% |
| 4 | J F BYRNES SUPER PTY LTD <ARGOON AVENUE S/F A/C> | 25,435,528 | 3.02% |
| 5 | MR CHING KHOON TAN | 24,611,617 | 2.92% |
| 6 | KAPIRI HOLDINGS PTY LTD | 22,835,715 | 2.71% |
| 7 | NATIONAL NOMINEES LIMITED | 20,000,000 | 2.37% |
| 8 | RATIO NOMINEES PTY LTD | 16,590,507 | 1.97% |
| 9 | SHYMEA PTY LTD | 15,670,425 | 1.86% |
| 10 | MR ROBERT CAMERON GALBRAITH | 14,296,296 | 1.70% |
| 11 | COACH DEVELOPMENTS PTY LTD <BARNETT SUPER FUND A/C> | 13,504,210 | 1.60% |
| 12 | MS FELICITY JANSEN | 12,305,809 | 1.46% |
| 13 | KASSETT PTY LTD <JR ZITO DISCRETIONARY NO 2> | 12,000,000 | 1.42% |
| 14 | MR MAURICE FORTE & MRS MARISA FORTE <MAURICE FORTE S/F A/C> | 11,615,577 | 1.38% |
| 15 | BARBRIGHT AUSTRALIA PTY LTD <INTERQUARTZ SUPER FUND A/C> | 10,988,016 | 1.30% |
| 16 | MS ELIZABETH ANN WHITE | 10,490,218 | 1.25% |
| 17 | WANNELL ENTERPRISES PTY LIMITED <WANNELL FAMILY S/F A/C> | 10,480,812 | 1.24% |
| 18 | MR MARINUS ADRIAN STRYBOSCH & MRS PENELOPE K STRYBOSCH | 10,467,813 | 1.24% |
| 19 | HAMMOND ROYCE CORPORATION PTY LTD <LEN DAVID SUPER FUND A/C> | 9,810,184 | 1.16% |
| 20 | MR MICHAEL MAGUIRE | 7,884,008 | 0.94% |
| | Total Securities of Top 20 Holdings | 521,285,025 | 61.90% |
| | **Total of Securities** | **842,165,112** | |

## Distribution of equity securities
Analysis of number of equity security holders by size of holding:

| | **Number of holders of ordinary shares** |
|---|---|
| 1 to 1,000 | 812 |
| 1,001 to 5,000 | 243 |
| 5,001 to 10,000 | 169 |
| 10,001 to 100,000 | 370 |
| 100,001 and over | 310 |
| | 1,904 |
| Holding less than a marketable parcel | 1,528 |

### Substantial holders
There following two shareholders are considered substantial holders in the company.

| | | Shares | %IC |
|---|---|---|---|
| 1. | LUCERNE GROUP PTE LTS and its Associates | 182,571,201 | 21.68% |
| 2. | ZURICH BAY HOLDINGS PTY LTD | 62,960,960 | 7.48% |

### Voting rights
The voting rights attached to ordinary shares are set out below:

*Ordinary shares*
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.

### Restricted securities

There are no restricted securities

### Corporate Governance

In accordance with ASX Listing Rule 4.10.3, the Company's Corporate Governance Statement can be found on its website www.connexionltd.com.