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 2018
Previous period:	For the year ended 30 June 2017

For and on behalf of the Directors

Peter Torre
Company Secretary
Dated: 30 August 2018

2. Results for announcement to the market

	%		2018 $
2.1 Revenues from ordinary activities	Up 4.66%	to	1,105,485
2.2 Revenue and other income	Down 24.95%	to	1,524,782
2.3 Profit from ordinary activities after tax attributable to the members of Connexion Media Limited	Up 108%	to	329,763
2.4 Profit for the year attributable to the members of Connexion Media Limited	Up 108%	to	329,763

3. Net tangible assets per ordinary security

	Reporting Period Cents	Previous Period Cents
Net tangible assets per ordinary security	Nil	Nil

4. Details of entities over which control has been gained or lost during the period

No changes from previous period.

5. Details of individual and total dividends or distributions and dividend or distribution payments

Nil

6. Details of dividend or distribution reinvestment plans in operation

Nil

7. Details of associates and joint venture entities

Nil

8. Foreign entities

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

Not applicable.

9. Accounting Standards Used

Connexion Media Limited's financial statements are prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001, as appropriate for for-profit oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board ('IASB').

10. Commentary on the results for the period

EPS

	Reporting Period (Cents)	**Prior Period (Cents)**
Basic earnings per share	(0.07)	(3.77)

Review of operations

The profit for the consolidated entity after providing for income tax amounted to $361,804. (2016 loss: $3,971,672).

Total revenues from ordinary activities for the period were $1,105,485 (2016: $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 has 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.

Further to the above the company will continue to seek acquisition opportunities (companies or assets) that fall into a Platform as a Service-operating model.

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11. Statement relating to the status of the audit

This report is based on accounts which are in the process of being audited. it is likely that the Company will receive a Modification or Emphasis of Matter to its audit report in respect to significant uncertainty of its ability to continue as a going concern. Please refer to Note 2 to the Financial Statements.

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

	Note	Consolidated 2018 $	Consolidated 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	6	(314,954)	(793,905)
Depreciation and amortisation expenses		(151,867)	(1,999)
Finance costs		(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 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 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 incurred a net profit of $361,804 (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.

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 calculated using the effective interest method.

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 has made a preliminary assessment of the changes and 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 2019 but the impact of its adoption is yet to be assessed by the consolidated entity. The consolidated entity has made an assessment of the changes and does not expect any material impact on implementation. It is expected that the Company will adopt 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 but the impact of its adoption is yet to be assessed by the consolidated entity. 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.

Note 5. Revenue

	Consolidated	
	2018 $	2017 $
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
	1,524,781	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	838,882	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	162,065	
	198,908	84,772

The ATO receivable relates to monies previously held by the Australian Taxation Office, which on further investigation 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. R&D tax incentives are recognised as income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the rebates are intended to compensate.

Note 12. Current liabilities - trade and other payables

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

Note 14. Convertible notes

	Consolidated 2018 $	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 $	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 $	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.

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 earnings per share	0.07	(3.77)
Diluted earnings 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 28. Commitments

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