



30 August 2019: ASX/Media Release (ASX: KNM)

Appendix 4E – Preliminary Final Results

KNeoMedia Limited (**KNeoMedia** or the **Company**) (**ASX: KNM**) is pleased to report its preliminary final results for the Company and its controlled entities (the **Group**) for the financial year ended 30 June 2019 (**FY2019** or the **year**), and to provide a review of operations and the outlook for the Company as outlined below.

The KNeoMedia parent entity incurred a net loss for the year of \$3,509,594 (2018: loss \$2,228,001) including non-cash items of \$420,789 and net operating cash outflows of \$3,098,805 (2018: outflows \$2,071,870). The increase was due primarily to the Company investing heavily in its sales and business development team, primarily in the United States, as well as expanding the global presence of KneoWorld, product localisation and marketing activities.

At 31 December 2018, KNeoMedia Limited reduced its share capital by \$63,011,864 in accordance with section 285F of the Corporation Act 2001, reducing FY2010 accumulated losses deemed to be of a permanent nature by the same amount. This was completed after the change of constitution approved by the shareholders at the 2018 AGM in order to reflect the true nature of the Company's investment in current activities and preserved tax losses.

Accordingly, the Group's net assets decreased to \$1,401,660 (2018: \$3,706,185) due to the planned international expansion activities and the adjustment to the consolidated statement of financial position as a result of a change in the revenue recognition requirements following the application of AASB 15 'Revenue from Contracts with Customers' as compared to AASB 118 on 1 July 2018, there was a decrease in equity of \$454,194, which has resulted from a reduction in trade receivables of \$504,676 and a reduction in deferred revenue of \$50,482.

Year in review

The Company maintained its primary focus during the year of global market development and refinement of its operating platform to deliver sustainable sales through four key pillars:

- **Partnerships** that deliver access to multiple funding channels from government and private enterprise;
- **Leading technology** to ensure we maintain a commanding position in Special Needs education;
- **Validated content** by globally recognised and credible health and education bodies;
- **Recruitment of top talent in Special Needs** learning and development to deliver scale in the markets where we deploy content.

Based on these four key pillars, during 2019 the Company has continued to broaden its market since refining its product offering to Software as a Service (**SaaS**) platform under a Business-to-School sales model. The SaaS Business-to-School model, while initially creating a longer sales cycle, will deliver robust and predictable revenue streams and the effect of this has been witnessed from recent sales announcements on the ASX.

As the Company expanded sales opportunities beyond New York City, it embraced inclusive school systems of combined general education and special needs students. Using its proprietary content management system, it was able to comply with individual curriculum standards and analytical reporting across six subject categories for each region: District, State and Country. The ability to map the platform to each student's ability level establishes further differentiation and leadership over other single subject products generally available in education, let alone Special Needs education.

KNeoMedia Limited ASX:KNM

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Funding & capital structure

During the year, the Company raised \$2,036,481 through the placement of new shares, predominantly to institutional and sophisticated investors. In addition, there was \$383,924 raised from the exercise of share options.

In line with its largely US centric business and substantial interest within the US investment community, the Company made an application to trade its existing shares on the OTCQB Markets in New York. Trading on this market will give US professional and retail investors the ability to invest in the Company's existing share base. Accordingly, initiatives have been undertaken to create substantial awareness in the US markets when the shares commence trading under the code OTC:KNEOF. The intended effect of the potentially additional OTC investment activity is to create greater further liquidity in the Company's shares.

The year in review by geography

United States

A most significant development was the strengthening of the previously announced Alliance Partnership (the **Alliance**) with the USA's oldest, largest and most widely recognised not-for-profit lobby organisations, the National Association for the Advancement of Colored People (**NAACP**) and the inclusion of Dell Technologies in this Alliance.

As announced recently, the Alliance has now generated sales and will continue to do so in New York and beyond.

The inclusion of Dell Technologies in the Alliance gives further marketing strength to the established and wide-reaching infrastructure across the United States via the NAACP 2,200 chapters, and the not-for-profit accreditation, to fast-track sales and roll-out KNeoWorld content across the US.

In a further significant development in April, KneoMedia reported that the Florida Department of Education (**DOE**) approved the KNeoWorld content as a 'partner product' for federal funding for Florida's 67 Districts which house over 2,470 elementary and middle public schools.

This product distribution partnership is different from previous DOE engagements because funding has already been made available (pre-approved) by the Federal government to the Florida State DOE.

Testing and verification of the content continued over the US summer in Florida and the first sales are expected in September and then increasing in Seat Licence volume from October onward.

In other states across the US, KNeoMedia is continuing to build sales channels at a State, District and County level, and initial implementation in individual school sales continues to be the path adopted by these top down entities to establish procedures for larger implementation in those regions. Under these initiatives the Company now has active licences at schools in the states of New York, Florida, Arizona, Pennsylvania and Ohio.

Asia

The Company's joint venture in the Philippines continues progress both sales and the building of its pipeline in the 3 areas of Vizcaya Province in the north, Manila and Davao City on Mindanao in the south. With the resumption of the new school year, the KneoWorld Philippines management anticipates signing of sales to additional schools that went through testing phases during the last school year. As with other regions, the sales cycle can be initially lengthy while local validation is secured, however, and as with our other regions, that validation period has been largely completed.

To further support the KneoWorld sales initiatives in Asia, the Company engaged Sultan Idris University, Kuala Lumpur, to undertake a multiple school and age level research program. The University is a teaching university, highly regarded throughout Asia and the research was conducted at schools aligned with its Story and Game Based Learning Education Faculty under the guidance of Assoc Professor Dr. Wee Hoe Tan; the research will be completed by October.

Australia

The Company continues to work with a number of schools in Australia, however the Company's major focus remains on its larger international markets. The Company continues to maintain its NDIS registration, however the Board retains its view that the cost of undertaking a consumer model and delivering individual consumer support, solely for Australia, is currently not viable and its focus will remain on the SaaS Business-to-Schools sales model. Any change to these circumstances will be advised.

United Kingdom

During the year the Company recorded its first sales in the UK and has established a solid pipeline. In keeping with other regions, validation has been established during the year and during September, also the start of the school year, the Company will achieve further sales.

Outlook

Using its four key pillars strategy of partnerships, leading technology, product validation and the continued recruitment of key sales personal, the Company remains fully focused on its SaaS platform under a Business-to-School sales model in the markets in which it is currently operating.

The investment to date in both the SaaS strategy and the opening of those markets, together with the extensive work of curriculum alignment within those markets will deliver predictable and sustainable revenue streams.

In Financial Year 2020, the primary focus is on generating increased sales in the United States first and foremost, and the United Kingdom and the Philippines. The Company is rapidly building three distinct revenue streams – 'Connect all Kids' with the NAACP and Dell Technologies, selling directly to Departments of Education in all markets, and via distribution partners. The diversity of revenue is indeed a focus in FY2020.

– ENDS –

About KNeoMedia Limited:

KNeoMedia Limited (ASX: KNM) is a SaaS publishing company that delivers world-class education and assessment products to global markets in both special and general education classrooms via its KneoWorld portal. Student seat licences are sold to education departments on an annual basis and via distribution agreements. The KneoWorld platform is a story-based and game assessment learning program that provides engaging and effective ways for students to process and apply academic skills and concepts. Researched and evidence based, programs are mapped and measured to curriculum with student performance data delivered via the educator dashboard. KneoWorld is fully compliant with child online privacy protection including US COPPA and European GDPR. Our proven ability to engage, educate and assess provides a global education market opportunity selling on a business to business strategy.

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Follow KNeoMedia on Twitter: <http://twitter.com/KNeoMedia>

**KNEOMEDIA LIMITED
and Controlled Entities
ABN 41 009 221 783**

**ASX APPENDIX 4E – PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019**

Lodged with ASX under Listing Rule 4.3A

ASX Announcement - Appendix 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

Name of Entity	KNeoMedia Limited
Australian Business Number	41 009 221 783
Current reporting period:	1 July 2018 to 30 June 2019
Previous corresponding reporting period:	1 July 2017 to 30 June 2018

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results from operations		% Change		\$
Revenues from ordinary activities	Decreased	97	to	13,995
Loss from ordinary activities after tax attributable to members	Increased	69	to	3,966,911
Net loss for the year attributable to members of parent (after non-controlling interest)	Increased	58	to	3,509,594
Dividends (distributions)				
		Amount per share		Franked amount per share
Final dividend		Nil ¢		Nil ¢
Interim dividend		Nil ¢		Nil ¢
Previous corresponding period		Nil ¢		Nil ¢
Record date for determining entitlements to the dividends		N/A		
Net Tangible Assets/(Liabilities) per security				
As at 30 June 2019		0.119 cents		
As at 30 June 2018		0.519 cents		

KNEOMEDIA LIMITED AND CONTROLLED ENTITIES
APPENDIX 4E PRELIMINARY FINAL REPORT FOR YEAR ENDED 30 JUNE 2019

Review of operations and financial results

The KneoMedia parent entity incurred a net loss for the year of \$3,509,594 (2018: Loss \$2,228,001) including non-cash items of \$420,789 and net operating cash outflows of \$3,098,805 (2018: outflows \$2,071,870). The increase was due primarily to the Company investing heavily in its sales and business development team, primarily in the United States, as well as expanding the global presence of KneoWorld, product localisation and marketing activities.

At 31 December 2018, KNeoMedia Limited reduced its share capital by \$63,011,864 in accordance with section 285F of the Corporation Act 2001, reducing FY2010 accumulated losses deemed to be of a permanent nature by the same amount. This was completed after the change of constitution approved by the shareholders at the 2018 AGM in order to reflect the true nature of the company's investment in current activities and preserved tax losses.

Accordingly, the Group's net assets decreased to \$1,401,660 (2018: \$3,706,185) due to the planned international expansion activities and the adjustment to the consolidated statement of financial position as a result of a change in the revenue recognition requirements following the application of AASB 15 'Revenue from Contracts with Customers' as compared to AASB 118 on 1 July 2018, there was a decrease in equity of \$454,194, which has resulted from a reduction in trade receivables of \$504,676 and a reduction in deferred revenue of \$50,482.

	30 June 2019	30 June 2018
Loss per share		
Basic and diluted loss per share (cents)	0.61	0.39

Financial position

The Group had net assets of \$1,401,660 as at 30 June 2019 (2018: net assets \$3,706,185).

Cash flows

During the year, the Group incurred net operating cash outflows of \$3,098,805 (2018: outflows \$2,071,870). The Group had cash of \$1,167,913 at 30 June 2019 (2018: \$2,713,642).

Net tangible assets per share

	30 June 2019	30 June 2018
Net tangible assets/(liabilities) backing per share	0.12 cents	0.52 cents

KNEOMEDIA LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
Revenue		
Sales revenue	13,995	533,404
Interest income	15,085	27,555
	29,080	560,959
Employee benefits expenses and Directors' fees	(1,003,393)	(409,203)
Share-based payments expense	(15,400)	(660,833)
Depreciation and amortisation expenses	(402,680)	(266,285)
Marketing expenses	(721,415)	(314,372)
Corporate & Administration expenses	(1,831,644)	(1,279,865)
Finance costs	(21,459)	(18,271)
Gain on movement in fair value of embedded derivatives option	-	38,788
Loss before income tax	(3,966,911)	(2,349,082)
Income tax expense	-	-
Loss for the year attributable to members	(3,966,911)	(2,349,082)
Other comprehensive loss:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange difference on translation of foreign operations (net of tax)	(135,938)	4,524
Total comprehensive loss for the year	(4,102,849)	(2,344,558)
Loss attributable to:		
Members of the parent entity	(3,509,594)	(2,228,001)
Non-controlling interests	(457,317)	(121,081)
	(3,966,911)	(2,349,082)
Total comprehensive loss attributable to:		
Members of the parent entity	(3,618,344)	(2,224,382)
Non-controlling interests	(484,505)	(120,176)
	(4,102,849)	(2,344,558)
Loss per share (cents per share)		
Basic and diluted loss per share	0.61	0.39

The accompanying notes form part of this preliminary final report

KNEOMEDIA LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019 \$	2018 \$
Current Assets			
Cash and cash equivalents		1,167,913	2,713,642
Trade and other receivables		252,219	769,699
Other assets		60,233	187,566
Total Current Assets		1,480,365	3,670,907
Non-current Assets			
Property, plant and equipment		13,948	17,486
Intangible assets		553,163	389,207
Deposit paid to acquire minority interest		50,000	-
Non-current financial asset		104,697	21,222
Total Non-current Assets		721,808	427,915
Total Assets		2,202,173	4,098,822
Current Liabilities			
Trade and other payables		738,456	313,087
Deferred revenue		20,495	57,815
Employee benefits		41,562	21,735
Total Current Liabilities		800,513	392,637
Total Liabilities		800,513	392,637
Net Assets / (Liabilities)		1,401,660	3,706,185
Equity			
Issued capital	3	19,254,116	80,013,462
Reserves		(290,193)	(181,443)
Accumulated losses		(15,578,383)	(74,717,298)
Parent Entity Interest		3,385,530	5,114,721
Non-controlling interest		(1,983,880)	(1,408,536)
Total Equity		1,401,660	3,706,185

The accompanying notes form part of this preliminary final report

KNEOMEDIA LIMITED & CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Non-Controlling Interest	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2018	80,013,462	(74,717,298)	(181,443)	(1,408,536)	3,706,185
Adjustment for change in accounting policy ¹	-	(363,355)	-	(90,839)	(454,194)
Adjusted opening balance	80,013,462	(75,080,653)	(181,443)	(1,499,375)	3,251,991
Net loss for the year	-	(3,509,594)	-	(457,317)	(3,966,911)
Other comprehensive loss	-	-	(108,750)	(27,188)	(135,938)
Total comprehensive loss	-	(3,509,594)	(108,750)	(484,505)	(4,102,849)
Shares issued	2,036,481	-	-	-	2,036,481
Conversion of director fees to shares	15,400	-	-	-	15,400
Exercise of share options	383,924	-	-	-	383,924
Accumulated losses reduction ²	(63,011,864)	63,011,864	-	-	-
Transaction costs on shares issued	(183,287)	-	-	-	(183,287)
Balance at 30 June 2019	19,254,116	(15,578,383)	(290,193)	(1,983,880)	1,401,660

¹The Group has adopted AASB 15 Revenue from Contracts with Customers from 1 July 2018. In accordance with the transition options the Group has applied the modified retrospective method, so the cumulative effect has been recognised and there has been no restatement of the comparative period. The adjustment to the consolidated statement of financial position as a result of adopting AASB 15 as compared to AASB 118 on 1 July 2018 is a decrease in equity of \$454,194 which has resulted from a reduction in trade receivables of \$504,676 and a reduction in deferred revenue of \$50,482.

²At 31 December 2018, KNeoMedia Limited reduced its share capital by \$63,011,864 in accordance with section 285F of the Corporations Act 2001, reducing FY2010 accumulated losses deemed to be a permanent nature by the same amount.

The accompanying notes form part of this preliminary final report

KNEOMEDIA LIMITED & CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Options Reserves	Non-Controlling Interest	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	73,840,956	(72,489,297)	(185,062)	300	(1,288,360)	(121,463)
Net loss for the year	-	(2,228,001)	-	-	(121,081)	(2,349,082)
Other comprehensive loss	-	-	3,619	-	905	4,524
Total comprehensive loss	-	(2,228,001)	3,619	-	(120,176)	(2,344,558)
Shares issued	3,895,000	-	-	-	-	3,895,000
Conversion of convertible notes to shares	191,825	-	-	-	-	191,825
Conversion of director fees to shares	115,000	-	-	-	-	115,000
Share issued under Company's LTIP	827,500	-	-	-	-	827,500
Transaction costs on shares issued	(286,587)	-	-	-	-	(286,587)
Exercise of share options	1,429,768	-	-	(300)	-	1,429,468
Balance at 30 June 2018	80,013,462	(74,717,298)	(181,443)	-	(1,408,536)	3,706,185

The accompanying notes form part of this preliminary final report

KNEOMEDIA LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
Cash flows from operating activities		
Receipts from customers	28,841	125,972
Payments to suppliers and employees	(3,127,646)	(2,197,842)
Net cash used in operating activities	(3,098,805)	(2,071,870)
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,078)	(19,648)
Purchase of intangible assets	(555,965)	(455,821)
Proceeds loaned to related parties	(83,474)	(21,222)
Payment for deposit to acquire minority interest	(50,000)	-
Net cash used in investing activities	(696,517)	(496,691)
Cash flows from financing activities		
Proceeds from issue of shares	2,036,480	3,895,000
Payment for share issue costs	(183,287)	(286,587)
Proceeds from exercise of options	383,924	1,229,468
Interest received	15,084	22,388
Interest paid	(21,460)	(8,608)
Net cash provided by financing activities	2,230,741	4,851,661
Net increase in cash and cash equivalents	(1,564,580)	2,283,100
Cash and cash equivalents at the beginning of the financial year	2,713,642	403,242
Effects of exchange rate changes on cash and cash equivalents	18,851	27,300
Cash and cash equivalents at the end of the financial year	1,167,913	2,713,642

The accompanying notes form part of this preliminary final report

KNEOMEDIA LIMITED AND CONTROLLED ENTITIES
NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

This report is based on accounts that are in the process of being audited.

1. Dividends

The Group does not intend to pay a dividend in respect of the year ended 30 June 2019 (2018: nil). The Group does not have any dividend or distribution reinvestment plans in operation.

2. Net Tangible Assets Per Share

Net tangible assets backing per ordinary share at 30 June 2019 was 0.12 cents (2018: net tangible assets 0.52 cents).

3. Issued Capital

	2019	2018
	\$	\$
713,884,564 (2018: 638,987,847) fully paid ordinary shares	19,254,116	80,013,462

a. Ordinary Shares	2019		2018	
	\$	No.	\$	No.
At the beginning of reporting period	80,013,462	638,987,847	73,840,956	451,521,629
Shares issued during the year:				
Conversion of director fees payable to share	15,400	229,774	115,000	1,756,867
Capital raising fee in lieu	-	-	250,000	2,500,000
Shares issued (capital raising)	2,036,481	59,310,000	3,895,000	86,555,556
Shares issued for the Company's LTIP	-	-	577,500	5,500,000
Accumulated losses reduction	(63,011,864)	-	-	-
Conversion of convertible notes	-	-	191,825	8,988,036
Exercise of options	383,924	15,356,943	1,429,768	82,165,759
Transaction costs on shares issued	(183,287)	-	(286,587)	-
At reporting date	19,254,116	713,884,564	80,013,462	638,987,847

4. Contingent assets and liabilities

The Group had no contingent assets and liabilities as at 30 June 2019 (2018: Nil).

5. Details of entities over which control has been gained or lost during the year

Control gained over entities

There was no control gained over entities in the year ended 30 June 2019.

Loss of control of entities

There was no disposal of subsidiary entities in the year ended 30 June 2019.

KNEOMEDIA LIMITED AND CONTROLLED ENTITIES
NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2019

6. Company announcements

Refer to the ASX website (ASX: KNM) for details of Company announcements made during the year.

7. Subsequent events

There are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the Group's operations in future financial years;
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years

8. Status of the audit

This Preliminary Financial Report is based on the Group's 2019 annual financial report, the accounts of which are in the process of being audited.

On behalf of the board



James Kellett
Executive Chairman

Melbourne, 30 August 2019