



ASX APPENDIX 4D
& INTERIM REPORT

31 December 2014



Quickflix Limited ABN 62 102 459 352
Controlled Entities

www.quickflix.com.au

ASX Appendix 4D Results Summary

for the half-year ended 31 December 2014

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reporting Period ("2014"): half-year ended 31 December 2014

Previous corresponding period ("2013"): half year-ended 31 December 2013

| | | | 2014 \$ |
|--|------|---------|-------------|
| Financial results | | | |
| Revenue from ordinary activities | Up | 7% to | 9,212,743 |
| Loss from ordinary activities before tax and impairment of intangible assets attributable to members | Up | 12% to | (6,286,501) |
| Net loss before impairment of intangible assets for the period attributable to members | Down | 4% to | (5,693,336) |
| Impairment of intangible assets for the period | | | (2,899,292) |
| Net loss for the period attributable to members | Up | 104% to | (8,592,628) |

| Dividends | 2014 | 2013 |
|--------------------------|------|------|
| Cents per ordinary share | Nil* | Nil* |

*No dividends have been declared or are payable for the period ended 31 December 2014 or 31 December 2013.

| Tangible assets per ordinary share | 2014 | 2013 |
|---|--------|--------|
| Net tangible assets per share (dollars) | (0.01) | (0.01) |

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, the report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Quickflix Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Directors' Report

Your directors present their report on the Group consisting of Quickflix Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

DIRECTORS

Name

Stephen Langsford

Simon Hodge

David Sanders

David Smith

The above named directors held office during and since the end of the half-year.

REVIEW OF OPERATIONS

Business Overview

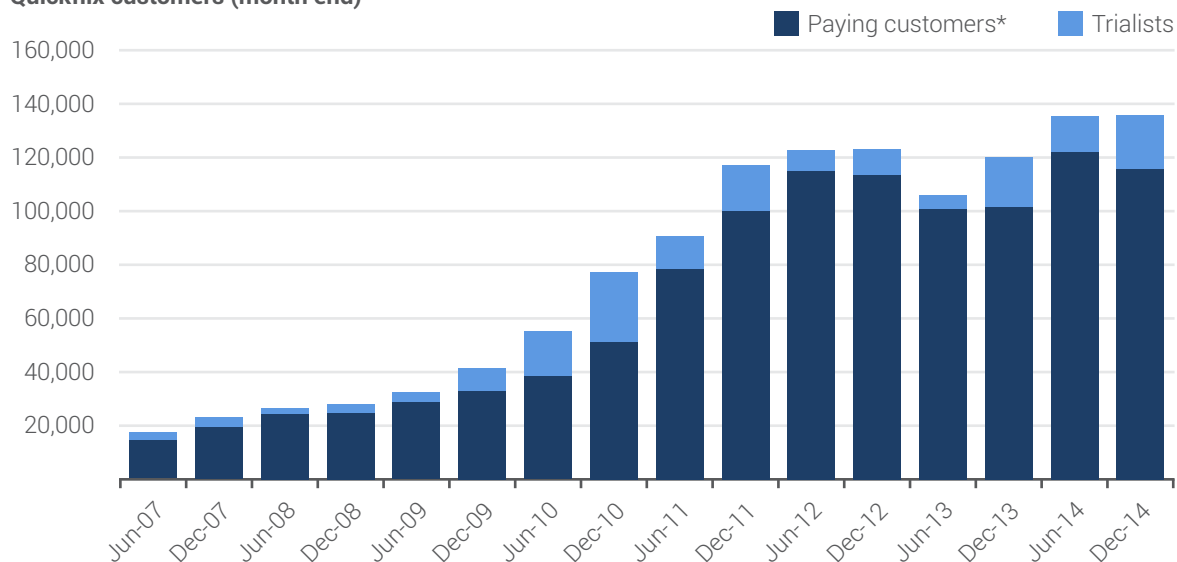
Quickflix is a leading movie and TV streaming service in Australia and New Zealand, accessible through a wide range of smart TVs, game consoles, mobile, tablet and other popular devices. Quickflix offers subscription streaming to movie and TV shows for as little as \$9.99 per month. In addition, Quickflix offers streaming of premium pay-per-view latest release movies and pay-to-own current seasons TV shows. As the most accessible streaming service of its kind in Australia and New Zealand, a customer can register up to six of their devices and stream three movies concurrently per account, providing on-demand entertainment for the whole household. In Australia, Quickflix is also the most popular online DVD rental service offering affordable subscription to the largest range of movies and TV shows in DVD and Blu-ray, all delivered postage-paid. Customers choose Quickflix to access the latest entertainment at an affordable price, without the hassles of advertisements, lock-in contracts, set top boxes or late fees. Quickflix as innovator in the Australian and New Zealand marketplace has developed a platform and capability enabling it to readily take advantage of increasing scale and new developments in technology and device platforms.

Quickflix achieved strong growth towards the end of the first-half with a record number of new customer signups in December 2014. As a result customers totalled 136,670 as at 31 December 2014. The number of paying customers at the same date totalled 117,106, representing an increase of 15 per cent over the prior twelve months.

Demand for streaming continued to grow during the half-year with the proportion of customers choosing it growing to almost 70 per cent. This growth was driven by the addition of quality feature films and TV series to the service and increased accessibility across the Quickflix device network. Improving the user interface to provide the best customer experience and presentation of content has been a key focus. Quickflix launched its new website and upgraded its Android and iOS mobile apps optimised for Google Chromecast. Quickflix also re-launched its streaming service to Playstation 3 and 4 in December, providing owners access to its premium latest release movie and current seasons TV content for the first time. Smart TVs and game consoles represents a considerable portion of Quickflix's streaming demand.



Quickflix customers (month end)



* Paying customers includes those who purchase a service (subscription, pay per view or pay to own) in the prior three month period. Total customers represent paying customers plus trialists.

Revenue for the half-year was \$9.2 million, representing an increase of 7 per cent on the prior corresponding period.

The net operating loss for the half-year of \$8.6 million included a \$2.9 million impairment write-down of intangible assets associated with the Quickflix technology platform and digital content. The Company has reviewed the application of the requirements of the accounting standards which resulted in the impairment. Excluding the impact of the write-down, the underlying net operating loss before impairment was \$5.7 million, a decrease of 4 per cent on the prior half year.

Performance highlights

| Half year | 31-Dec-13 | 30-Jun-14 | 31-Dec-14 |
|---|---------------|---------------|---------------|
| Revenue | \$8,619,301 | \$9,424,664 | \$9,212,743 |
| Change | (9%) | 9% | (2%) |
| Operating loss before impairment and income tax | (\$5,118,790) | (\$5,939,188) | (\$6,286,501) |
| Change | (69%) | (16%) | (6%) |
| Net operating loss before impairment | (\$4,217,940) | (\$5,939,188) | (\$5,693,336) |
| Change | (40%) | (41%) | 4% |
| Net operating loss | (\$4,217,940) | (\$5,939,188) | (\$8,592,628) |
| Change | (40%) | (41%) | (57%) |
| Total customers – end of period | 120,800 | 135,690 | 136,670 |
| Change | 13% | 12% | 1% |
| Paying customers – end of period | 102,248 | 122,862 | 117,106 |
| Change | 0% | 20% | (5%) |



Total customers increased by 1 per cent to 136,670 in the half-year. Trial subscribers increased to 19,564 following strong growth in customer acquisition towards the end of the half-year. As a result of lower customer acquisition activity to replace churn in the early part of the period, the number of paying customers decreased by 5 per cent in the half-year overall to 117,106. Trialist growth towards the end of the half-year has since underpinned paying subscriber growth in January and February 2015. During the period, paying subscriber churn averaged 6.7 per cent, in line with the prior half-year.

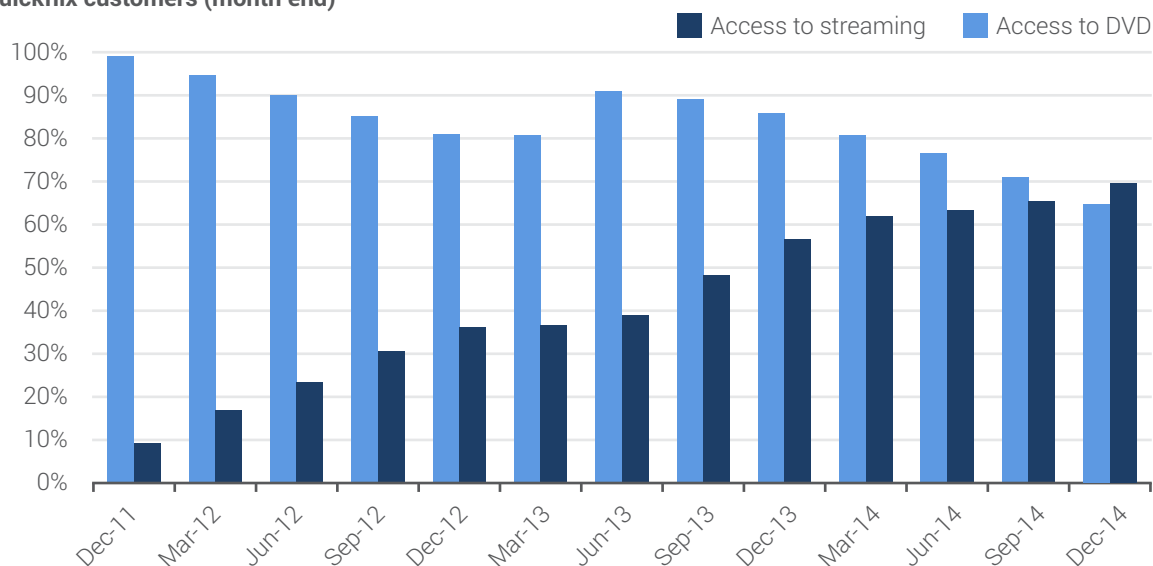
Customers

| | Dec 2013 | Jun 2014 | Dec 2014 | YoY Change | HoH Change |
|--|-------------|-------------|-------------|---------------|---------------|
| Trial subscribers | 18,552 | 12,828 | 19,564 | 5% | 53% |
| Paying customers | 102,248 | 122,862 | 117,106 | 15% | (5%) |
| Total customers | 120,800 | 135,690 | 136,670 | 13% | 1% |
| Net paying additions* | 396 | 20,614 | (5,756) | nm | nm |
| Paying subscriber churn (monthly average)* | 5.3% | 6.7% | 6.7% | 27% | 0% |
| New subscribers acquisitions | 74,574 | 103,443 | 97,109 | 30% | (6%) |
| Trial conversion* | 48.6% | 50.2% | 42.7% | (12%) | (15%) |
| Marketing cost per sign-up (CPA)* | \$18 | \$19 | \$20 | | |

* Figures are calculated based on 6 months period

The growing demand for streaming is evident in the fact that over 69 per cent of paying customers have now opted for the service. Demand for the DVD & Blu-ray service is also strong with over 64 per cent of paying customers choosing it and one third of all customers taking both streaming and DVD services.

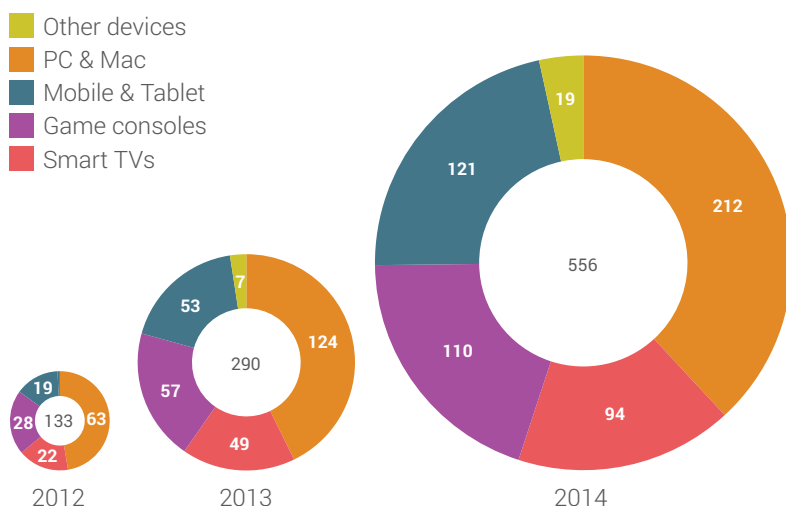
Quickflix customers (month end)



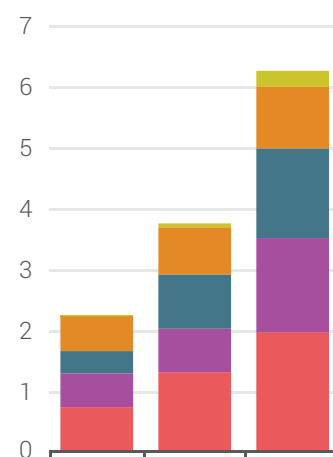
In 2014 the volume streamed by Quickflix increased by almost 70 per cent on 2013 levels. During the half-year customers registered almost 140,000 new devices for Quickflix streaming taking the total registered to well over half a million devices. Game consoles and smart TVs contributed the largest increases in streaming play volumes with growth in mobile device registrations and usage boosted by the addition of Google Chromecast to Quickflix's device network.



Devices registered with Quickflix (000's)



Streaming plays by device (million)



Revenue

Revenue for the December half-year was \$9.2 million, 2 per cent lower than the previous half-year. As a result of lower customer acquisition activity to replace churn in the early part of the period, the number of paying customers declined before increasing in December. This impacted on revenue for the period overall. The average monthly revenue per paying subscriber reduced slightly to \$12.99 due to strong growth in the number of subscribers on lower cost streaming only subscriptions in Australia and New Zealand. Pay-per-view revenue growth accelerated through the December half with an increase in the number of new release movie titles and recent pay TV series available to rent or purchase.

| | Dec 2013 | Jun 2014 | Dec 2014 | YoY change | HoH change |
|---|-------------|-------------|-------------|------------|------------|
| Revenue | \$8,619,301 | \$9,424,664 | \$9,212,743 | 7% | (2%) |
| Average number of paying customers | 99,547 | 117,550 | 118,172 | 19% | 1% |
| Average monthly revenue per paying customer | \$14.43 | \$13.36 | \$12.99 | (10%) | (3%) |

Operating costs

Operating costs include direct service costs such as fulfillment (delivery and returning DVDs), customer service, content (maintenance and depreciation of the content library), digital streaming (content and delivery), transaction processing fees, indirect costs such as technology (operation and amortisation of the technology platform), digital platform (operation and depreciation of the digital costs) and corporate overhead expenses. Marketing costs include all media and performance fees, as well as production and overhead costs associated with the marketing function. Trial service costs are the proportion of direct service costs which relate to servicing free and paying trials.

Total operating costs included \$2.9 million in write-downs of intangible assets as an impairment charge. Adopting this policy whilst impacting negatively on the results for the half-year, reduces the level of Depreciation and Amortisation expense in future reporting periods.

Total operating costs excluding the impairment charge totaled \$15.5 million for the half-year compared to \$15.4 million in the prior half.

- Direct service costs were steady at \$6.8 million of which \$5.7 million related to servicing paying customers and \$1.1 million for trial subscribers. Notable movements include:
 - Higher digital content fees with increased streaming customers and pay per view customers;
 - Higher digital streaming costs (such as delivery costs, revenue shares and merchant fees) from servicing a growing streaming customer base; and



- Reduction in DVD fulfillment and content costs on lower DVD usage.
- Operating costs of \$6.5 million during the half-year compared to \$6.4 million in the previous half.
- Quickflix increased its marketing activity towards the end of the half-year. Key points for the half-year include:
 - Marketing costs were steady at \$2.0 million.
 - New sign-up volumes of 97,109, compared to 103,443 in the prior six months and 74,574 in the corresponding period
 - The marketing cost of acquiring new members (Marketing CPA) increased slightly to \$20 per new sign-up.
 - Trial service costs were \$1.1 million, representing a reduction from \$1.4 million of the prior half-year.
- Net finance costs of \$0.2 million mostly related to the preference dividend on the convertible redeemable preference shares.

Intangible assets – Impairment

At 31 December the Company reviewed the carrying value of its intangible assets which includes costs capitalised in relation to its technology platform, digital content encoding and software purchases. While these assets are core to the ongoing operation of the Quickflix services, in consideration of the relevant accounting standards, the Company has elected to write the carrying value to nil, incurring an impairment loss of \$2,899,292.

Content

Investment in streaming content increased to \$3.1 million during the half-year as the Company expanded its subscription and pay-per-view offering. The Company's investment in the DVD and Blu-ray content library reduced to \$0.87 million for the half-year.

| | Dec 2013 \$ | Jun 2014 \$ | Dec 2014 \$ | YoY change | HoH change |
|--|---------------------|---------------------|---------------------|---------------|---------------|
| Revenue | 8,619,301 | 9,424,664 | 9,212,743 | 7% | (2%) |
| Gross contribution | 2,662,815 | 3,984,254 | 3,441,399 | 31% | (14%) |
| % of revenue | 31% | 42% | 37% | | |
| Operating loss before income tax & Impairment | (5,118,790) | (5,939,188) | (6,286,501) | (23%) | (6%) |
| Operating loss before impairment | (4,217,940) | (5,939,188) | (5,693,336) | (35%) | 4% |
| Direct service costs: paying subscribers | (5,956,486) | (5,420,972) | (5,737,696) | 4% | (6%) |
| Indirect costs | (5,405,700) | (6,379,785) | (6,478,699) | (20%) | (2%) |
| Operating costs before marketing & trial service costs | (11,362,186) | (11,800,757) | (12,216,395) | (8%) | (4%) |
| Marketing costs (excluding employee costs) | (1,309,720) | (1,927,766) | (1,972,884) | (51%) | (2%) |
| Trial service costs | (827,942) | (1,419,738) | (1,085,480) | (31%) | 24% |
| Net finance costs | (238,243) | (215,589) | (224,483) | 6% | (4%) |
| Total operating costs before Impairment | (13,738,091) | (15,363,852) | (15,499,244) | (13%) | (1%) |
| Impairment of intangible assets | - | - | (2,899,290) | - | - |
| Total operating costs | (13,738,091) | (15,363,852) | (18,398,534) | (34%) | (20%) |



Financial position

Receipts from customers during the half-year were \$10.0 million, a decrease of 3 per cent compared to June 14 half-year. The net cash used in operating activities increased to \$2.6 million, and the net cash used in investing activities decreased by 38 per cent to \$1.4 million in the half-year. The Company raised \$3.7 million net of raising costs and debt refinancing.

The Company had net cash of \$2.1 million at 31 December 2014.

| | Dec 2013 | Jun 2014 | Dec 2014 | YoY change | HoH change |
|---|-------------|-------------|-------------|---------------|---------------|
| Receipts from customers | 9,770,580 | 10,357,548 | 10,038,186 | 3% | (3%) |
| Net cash (used in)/provided by operating activities | 618,852 | (603,481) | (2,510,562) | 790% | 316% |
| Net cash (used in) investing activities | (2,301,983) | (2,199,070) | (1,472,080) | (36%) | (33%) |
| Net cash provided by financing activities | 4,535,517 | 41,158 | 3,691,915 | (19%) | 8870% |
| Cash at end of financial period | 5,172,217 | 2,410,824 | 2,120,097 | (59%) | (12%) |

Outlook

The second-half has commenced with solid growth in new customer signups and a pipeline of upcoming partnership promotional activity which should build further momentum. Conversion of the influx of trialist customers acquired throughout December and the New Year should result in an increase in the level of paying customers and revenue throughout the second-half. Adding to this, Quickflix will commence retailing of gift cards through major national retailers which has the potential of reaching the mass consumer market.

New competition entering the market in the second-half including the anticipated launch of Netflix in March, will present new challenges to Quickflix. It will also raise awareness of streaming generally which should benefit Quickflix particularly given it is an established player with a significant presence across popular consumer devices. In this environment Quickflix will continue to improve its service for customers and deliver value for money. Initiatives include the addition of new features and TV series content and ongoing improvements to the user interface for streaming and DVD customers. A significant advantage for Quickflix is that its streaming service, which is available on smartTvs, game consoles, mobile, tablets and other devices, is much more widely accessible than competitive services which have yet to feature on smartTVs and game consoles. It is also the only streaming service to offer both subscription and premium transaction models. Latest release movies for example are available to stream pay-per-view at Quickflix much earlier than when they become available on competitors' subscription streaming services. Finally, Quickflix is the only streaming service in Australia which is complemented by an online DVD subscription service offering access to the largest range of movies and TV content of any entertainment service.

The streaming market is attracting major media and entertainment players and will continue to be very dynamic. The Company continues to progress discussions with potential strategic partners and investors in relation to growth opportunities with Quickflix.



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 on page 11.

This report is signed in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'Langsford', is written over a light grey grid background.

Stephen Langsford
Executive Chairman

Dated this 27th day of February 2015

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration To The Directors of Quickflix Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Quickflix Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



L J Corder
Partner - Audit & Assurance

Sydney, 27 February 2015

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 31 December 2014

| | Notes | 31 Dec 2014 \$ | 31 Dec 2013 \$ |
|--|-------|-------------------|-------------------|
| Revenue from continuing operations | | 9,212,743 | 8,619,301 |
| Depreciation and amortisation expenses | | (2,374,909) | (2,672,183) |
| Finance expenses | | (224,493) | (238,242) |
| Employee and contractor expenses | | (3,846,312) | (3,244,138) |
| General and administration expenses | | (727,363) | (634,538) |
| Occupancy expenses | | (349,200) | (533,859) |
| Content and distribution expenses | | (5,185,405) | (4,402,371) |
| Marketing expenses | | (1,981,559) | (1,313,145) |
| Technology expenses | | (810,003) | (699,613) |
| Impairment of intangible assets | 8 | (2,899,292) | - |
| Loss before income tax | | (9,185,793) | (5,118,788) |
| Income tax refund/ (expense) | | 593,165 | 900,850 |
| Loss for the half-year | | (8,592,628) | (4,217,939) |
| Other comprehensive income | | | |
| - exchange differences on the foreign operations | | (28,455) | (22,762) |
| Total comprehensive income for the half-year | | (8,621,083) | (4,240,701) |
| Total comprehensive income is attributable to: | | | |
| Owners of Quickflix Limited | | (8,621,083) | (4,240,701) |
| | | (8,621,083) | (4,240,701) |
| Earnings per share for total comprehensive income for the half-year attributable to the ordinary equity holders of the group: | | | |
| Basic loss per share (cents per share) | 11 | (0.58) | (0.56) |

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



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

| | Notes | 31 Dec 2014 \$ | 31 Jun 2014 \$ |
|--------------------------------------|-------|---------------------|---------------------|
| Current assets | | | |
| Cash and cash equivalents | | 2,120,097 | 2,410,824 |
| Trade and other receivables | | 699,614 | 100,893 |
| Inventories | | 198,954 | 159,471 |
| Other current assets | | 719,952 | 697,921 |
| Total current assets | | 3,738,617 | 3,369,109 |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 2,278,773 | 2,547,760 |
| Intangible assets | 8 | - | 3,277,262 |
| Other financial assets | | 366,212 | 622,165 |
| Total non-current assets | | 2,644,985 | 6,447,187 |
| Total assets | | 6,383,602 | 9,816,296 |
| Current liabilities | | | |
| Trade and other payables | | 9,026,082 | 8,053,917 |
| Unearned revenue | | 1,012,578 | 1,060,314 |
| Redeemable preference shares | 9 | 11,161,518 | 10,939,811 |
| Provisions | | 280,463 | 298,015 |
| Other financial liabilities | | 6,331 | 6,045 |
| Total current liabilities | | 21,486,972 | 20,358,103 |
| Non-current liabilities | | | |
| Provisions | | 63,233 | 59,321 |
| Other financial liabilities | | 33,899 | 37,137 |
| Total non-current liabilities | | 97,132 | 96,458 |
| Total liabilities | | 21,584,104 | 20,454,561 |
| Net assets | | (15,200,502) | (10,638,264) |
| Equity | | | |
| Issued capital | 10 | 43,764,623 | 39,865,063 |
| Reserves | | 1,794,762 | 1,663,932 |
| Accumulated losses | | (60,759,887) | (52,167,259) |
| Total equity | | (15,200,502) | (10,638,264) |

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2014

| | Contributed equity | Accumulated losses | Option/Share reserve | Foreign currency translation reserve | Total |
|---|-----------------------|-----------------------|-------------------------|--|---------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2013 | 34,271,571 | (42,010,131) | 1,224,673 | (12,370) | (6,526,257) |
| Total comprehensive loss for the half-year | - | (4,217,940) | - | (10,392) | (4,228,332) |
| Transactions with owners in their capacity as owners: | | | | | |
| Contributions of equity, net of transaction costs | 5,595,517 | - | - | - | 5,595,517 |
| Performance Rights | - | - | 253,200 | - | 253,200 |
| Sub-total | 5,595,517 | (4,217,940) | 253,200 | (10,392) | 1,620,385 |
| Balance at 31 December 2013 | 39,867,088 | (46,228,071) | 1,477,873 | (22,762) | (4,905,872) |
| Balance at 1 July 2014 | 39,865,063 | (52,167,259) | 1,688,328 | (24,396) | (10,638,264) |
| Total comprehensive loss for the half-year | - | (8,592,628) | - | (28,455) | (8,621,083) |
| Transactions with owners in their capacity as owners: | | | | | |
| Contributions of equity, net of transaction costs | 3,899,560 | - | - | - | 3,899,560 |
| Performance Rights | - | - | 159,285 | - | 159,285 |
| Sub-total | 3,899,560 | (8,592,628) | 159,285 | (28,455) | (4,562,238) |
| Balance at 31 December 2014 | 43,764,623 | (60,759,887) | 1,847,613 | (52,851) | (15,200,502) |

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



CONSOLIDATED STATEMENT OF CASHFLOWS

for the six months ended 31 December 2014

| | 31 Dec 2014 \$ | 31 Dec 2013 \$ |
|---|--------------------|--------------------|
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of goods and services tax) | 10,038,186 | 9,770,580 |
| Payments to suppliers and employees (inclusive of goods and services tax) | (12,579,789) | (10,092,168) |
| Interest paid | (2,786) | (1,867) |
| Interest received | 33,646 | 41,457 |
| Income tax refund | 181 | 900,850 |
| Net cash inflow (outflow) from operating activities | (2,510,562) | 618,852 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (915,187) | (1,087,158) |
| Purchase of intangibles | (812,846) | (1,022,786) |
| Security deposits paid | 255,953 | (192,039) |
| Net cash outflow from investing activities | (1,472,080) | (2,301,983) |
| Cash flows from financing activities | | |
| Proceeds from issue of shares | 3,952,916 | 5,124,876 |
| Payment of share issue costs | (261,001) | (589,359) |
| Net cash inflow from financing activities | 3,691,915 | 4,535,517 |
| Net decrease in cash and cash equivalents | (290,727) | 2,852,386 |
| Cash and cash equivalents at 1 July 2014 | 2,410,824 | 2,319,831 |
| Cash and cash equivalents at 31 December 2014 | 2,120,097 | 5,172,217 |

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



NOTES TO THE CONSOLIDATED FINANCIAL REPORT

for the six months ended 31 December 2014

Note 1: Nature of operations

Quickflix Limited and subsidiaries (the Group) principal activities include the development and operation of an online movie subscription and retail service.

Note 2: General information and basis of preparation

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 31 December 2014 and are presented in Australian Dollar (\$AUD), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2014 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 27 February 2015.

Note 3: Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2014.

The accounting policies have been applied consistently throughout the Group for the purpose of preparation of these interim financial statements.

Note 4: Preparation of report on going concern basis

The Group had net cash outflows from operating activities of \$2,510,562 (half year 2013: Inflow \$618,852) and net cash outflows from investing activities of \$1,472,080 (half year 2013: \$2,301,983). The loss after income tax for the half-year ended 31 December 2014 was \$8,592,628 (half year 2013: loss of \$4,217,940). Net liabilities of the consolidated group as at 31 December 2014 were \$15,200,502 compared to \$10,638,264 at 30 June 2014.

The continuing viability of the Group to continue as a going concern, meet its commitments as and when they fall due and to develop its customer base is dependent upon the Group's ability to continue to raise capital and form strategic alliances. The directors have considered the following in their assessment of future funding of the Group:

- The Directors are negotiating with a number of parties on operational and financial alliances. The Directors are confident of successful outcomes of current negotiations which will improve the operating and cash flow position of the Group;
- The Group has been successful in raising capital through share placements and rights issues in the past; and;
- Budgets for the 12 months from the date of issuance of these financial statements project that the Group will be able to pay its debts as and when due, however in the event that expected revenues and capital raisings do not fully materialise the consolidated entity would reduce its overhead costs appropriately.

The directors are of the opinion that the Group entity will continue to obtain the additional capital and accordingly have prepared the financial statements on a going concern basis. Should capital raisings not materialise there is material uncertainty whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in these financial statements.



At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements at 31 December 2014. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classifications of liabilities that might be necessary should the Group not continue as a going concern.

Note 5: Estimates

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

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2014.

Note 6: Segment reporting

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors and Chief Executive Officer in assessing and determining the allocation of resources. The Group operates in one business segment being the online movie rental which includes streaming which was launched last financial year.

Note 7: Property, plant and equipment

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment for the six months ended 31 December 2014.

| | Office equipment \$ | Computer equipment \$ | DVD library \$ | Leasehold improvement \$ | Motor Vehicle \$ | Total \$ |
|--|---------------------------|-----------------------------|----------------------|--------------------------------|------------------------|------------------|
| Balance at 1 July 2013 | 350,709 | 123,482 | 2,600,047 | 138,203 | - | 3,212,441 |
| Additions | 16,107 | 46,822 | 995,546 | 27,866 | 46,818 | 1,133,159 |
| Adjustments | - | - | - | - | - | - |
| Depreciation expense | (66,159) | (62,299) | (1,344,481) | (31,892) | (965) | (1,505,796) |
| Carrying amount at 31 December 2013 | 300,657 | 108,005 | 2,251,112 | 134,177 | 45,853 | 2,839,804 |
| Balance at 1 July 2014 | 246,836 | 81,541 | 2,062,440 | 116,671 | 40,272 | 2,547,760 |
| Additions | 1,491 | 23,694 | 865,117 | 24,885 | - | 915,187 |
| Disposal | - | - | - | - | - | - |
| Adjustments | - | - | - | - | - | - |
| Depreciation expense | (42,006) | (33,568) | (1,066,141) | (37,240) | (5,219) | (1,184,174) |
| Carrying amount at 31 December 2014 | 206,321 | 71,667 | 1,861,416 | 104,316 | 35,053 | 2,278,773 |

**Note 8: Intangible assets**

The directors have assessed impairment of the capitalised intangibles with regard to future cash flows and rapid changes in the industry. After careful consideration of the Company's priorities, the directors considered it prudent to impair the carrying value of the intangibles at 31 December 2014.

| | Technology platform \$ | Software \$ | Goodwill \$ | Digital content \$ | Total \$ |
|--|---------------------------------------|------------------------|------------------------|-----------------------------------|---------------------|
| Balance at 1 July 2013 | 2,801,920 | 105,030 | 77,816 | 640,111 | 3,624,877 |
| Additions | 516,760 | 2,609 | - | 615,065 | 1,134,434 |
| Adjustments | - | - | - | - | - |
| Depreciation expense | (845,519) | (40,904) | (77,816) | (202,811) | (1,167,050) |
| Carrying amount at 31 December 2013 | 2,473,161 | 66,735 | - | 1,052,365 | 3,592,261 |
| Balance at 1 July 2014 | 1,806,627 | 36,897 | - | 1,433,738 | 3,277,262 |
| Additions | 284,858 | - | - | 527,907 | 812,765 |
| Disposal | - | - | - | - | - |
| Amortisation expense | (784,775) | (25,834) | - | (380,126) | (1,190,735) |
| Impairment losses | (1,306,710) | (11,063) | - | (1,581,519) | (2,899,292) |
| Carrying amount at 31 December 2014 | - | - | - | - | - |

Note 9: Redeemable preference share

The redeemable preference shares accrue dividends, payable quarterly, at annualised rate 4.0% subject to applicable law.

The redeemable preference shares may be converted at any time by giving notice to the Company. Upon conversion the Company is required to issue one ordinary share for every redeemable preference share converted and one twelve cent three year option for every five redeemable preference shares converted.

The Company can require the preference shares to be converted into ordinary shares on the same basis referred to above at any time after three years from their date of issue (i.e. after March 2015) where the Company's VWAP (daily volume weight average market price) has been greater than 15 cents for at least 30 consecutive trading days, provided also that the Company's VWAP is greater than 15 cents in the 3 trading days before conversion takes effect. Mandatory conversion takes effect 60 days after the conversion notice is given.

The redeemable preference shareholder has the right to call for the redemption of the redeemable preference shares on the occurrence of a "Liquidation Event" which broadly encompasses an insolvency event, a disposal of substantially all of the Company's assets, a merger or takeover, a person other than the shareholder acquiring a voting power of more than 51% in the Company, or any change in the majority of the members of the Board of Directors unless the replacement Directors were nominated by the majority of the Company's Board.

The redeemable preference share is classified in the Consolidated Statement of Financial Position as a current liability due to this redemption right.

**Note 10: Issued capital****(A) Ordinary shares**

| | | | | | 31 December 2014 |
|--|----------------------------|-------------|-------------------------|----------------------------|-------------------------|
| Issued and fully paid | | | | | 1,816,546,431 |
| <i>Movements in ordinary shares on issue</i> | | | | | |
| Date | Details | Note | Number of shares | Average issue price | \$ |
| 1 July 2014 | Opening balance | | 1,155,651,940 | | 39,865,063 |
| 14 Jul 2014 | Placement | | 204,176,899 | 0.009 | 1,837,579 |
| 1 September 2014 | Placement | | 163,525,600 | 0.01 | 1,635,256 |
| 25 November 2014 | Placement | | 50,000,000 | 0.003 | 150,000 |
| 9 December 2014 | Shares issued to employees | (i) | 3,950,000 | - | - |
| 19 December 2014 | Rights Issue | | 166,431,719 | 0.003 | 499,295 |
| 19 December 2014 | Rights issue – Directors | | 72,810,273 | 0.003 | 218,431 |
| | Less: share issue costs | | | | (441,001) |
| 31 December 2014 | Balance | | 1,816,546,431 | | 43,764,623 |
| | | | | | 30 June 2014 |
| Issued and fully paid | | | | | 1,155,651,940 |

| Date | Details | Note | Number of shares | Average issue price | \$ |
|---------------------|----------------------------|-------------|-------------------------|----------------------------|-------------------|
| 1 July 2013 | Opening balance | | 526,669,604 | | 34,271,571 |
| 17 September 2013 | Placement | | 70,000,000 | 0.01 | 700,000 |
| 25 October 2013 | Placement | | 336,965,861 | 0.01 | 3,369,659 |
| 25 October 2013 | Shares issued to employees | (i) | 4,768,750 | - | - |
| 5 November 2013 | Placement | | 211,521,741 | 0.01 | 2,115,217 |
| 4 February 2014 | Shares issued to employees | (i) | 5,725,984 | - | - |
| | Less: share issue costs | | | | (591,384) |
| 30 June 2014 | Balance | | 1,155,651,940 | | 39,865,063 |

(i) Shares issued to employees includes vesting of performance rights

Shares were issued to employees as a part of remuneration. The issue price in respect of these shares was determined by reference to market price.

(B) Options

| | | 6 months to 31 Dec 2014 | | Year to 30 Jun 2014 | |
|----------------------------|-------------------|------------------------------------|--|--------------------------------|------------------------------|
| | No. | Exercise price \$ | | No. | Exercise price \$ |
| Unlisted options expiring: | | | | | |
| 9 December 2015 | 2,500,000 | 0.0850 | | 2,500,000 | 0.085 |
| 5 July 2016 | 36,500,000 | 0.0220 | | 36,500,000 | 0.022 |
| 6 March 2018 | 42,215,251 | 0.0302 | | 42,215,251 | 0.0302 |
| | 81,215,251 | | | 81,215,251 | |



- (i) Shares issued to employees includes vesting of performance rights

Shares were issued to employees as a part of remuneration. The issue price in respect of these shares was determined by reference to market price.

(C) Performance rights

| | 6 months to 31 Dec 2014 | Year to 30 Jun 2014 |
|---|----------------------------|------------------------|
| | No. | No. |
| Unlisted performance rights outstanding | 3,950,000 | 11,700,000 |

Note 11: Loss per shares

Both the basic and diluted loss per share have been calculated using the loss attributable to shareholders of the parent company (Quickflix Limited) as the numerator, i.e. no adjustments to loss were necessary during the six (6) month period to 31 December 2014 and 2013.

The weighted average number of shares for the purposes of the calculation of diluted loss per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic loss per share as follows:

| | 6 months to 31 Dec 2014 | 6 months to 31 Dec 2013 |
|--|----------------------------|----------------------------|
| Weighted average number of shares used in basic and diluted loss per share | 1,477,687,128 | 755,427,412 |

Note 12: Events after the reporting date

There have been no events between 31 December 2014 and the date of these financial statements which necessitate adjustments to the statements of financial position and comprehensive income of that date.

Note 13: Contingent liabilities

The amount of \$377,855 relates to current disputes identified by the company relating to the provision of services by suppliers. Both matters are disputed by the Company.

Directors' Declaration

In the opinion of the directors of Quickflix Limited and its controlled entities (the "Group"):

- 1) The financial statements and notes set out on pages 12-20, are in accordance with the Corporations Act 2001 including:
 - a) giving a true and fair view of the financial position of the Group as at 31 December 2014 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- 2) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Stephen Langsford
Executive Chairman

Dated this 27th day of February 2015

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report To the Members of Quickflix Limited

We have reviewed the accompanying half-year financial report of Quickflix Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Quickflix Limited consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations

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Regulations 2001. As the auditor of Quickflix Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 4 in the half-year report which indicates that the consolidated entity incurred a net loss of \$8,592,628 during the half year ended 31 December 2014 and net operating cash outflows of \$2,510,562 and a deficiency of assets of \$15,200,502. The Company is currently in negotiations with respect to strategic operational and financing alliances, together with further capital raisings required in the next twelve months to fund the operational and investment activities. These conditions, along with other matters as set forth in Note 4, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity maybe unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Quickflix Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



L.J. Corder
Partner - Audit & Assurance

Sydney, 27 February 2015

Quickflix



www.quickflix.com.au