

**KNEOMEDIA LIMITED
(formerly Entellect Limited)
and Controlled Entities
ABN 41 009 221 783**

**ASX APPENDIX 4D - FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

**Lodged with ASX under Listing Rule 4.2A
This information should be read in conjunction with 30 June 2015
Annual Report**

KNEOMEDIA LIMITED AND CONTROLLED ENTITIES FINANCIAL REPORT FOR THE HALF-YEAR ENDED

31 DECEMBER 2015

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KNeoMedia Limited

Appendix 4D

HALF-YEARLY REPORT FOR THE SIX MONTHS TO 31 DECEMBER 2015

Name of Entity	KNeoMedia Limited
Australian Business Number	41 009 221 783
Report for Half Year Ended:	31 December 2015
Previous corresponding Financial Year ended:	30 June 2015
And Half Year Ended:	31 December 2014

RESULTS FOR ANNOUNCEMENT TO THE MARKET

		% Change		\$
Revenues from ordinary activities	up	100	to	3,851
Other income	down	20.5	to	485,674
Loss from ordinary activities after tax attributable to members	down	25.5	to	507,209
Net loss for the period attributable to members of parent (after non-controlling interest)	down	28.2	to	416,968

DIVIDENDS

Dividends (distributions)	Amount per share	Franked amount per share
Final dividend/Interim dividend	Nil ¢	Nil ¢
Previous corresponding period	Nil ¢	Nil ¢
Record date for determining entitlements to the dividends	N/A	

EXPLANATION

As KNeoMedia Limited (**KNeoMedia** or the **Company**) and its controlled entities (the **Group**) continued its product development for the half-year ended 31 December 2015, modest revenue of \$3,851 was however generated in December 2015 signifying the commencement of further anticipated revenue (2014: Nil).

The net loss from ordinary activities after tax attributable to members was \$507,209, a decrease of 25.5% over the previous corresponding period (2014: net loss \$680,724) mainly attributable to a receipt of other income \$483,570 under the Australian Government's Research and Development Tax Incentive Program and the containment of employee benefits cost and operating cost.

Net tangible asset backing per ordinary share at 31 December 2015 was (0.59) cents (30 June 2015: (0.71) cents). There was no gain or loss of control over any entities during the half-year ended 31 December 2015. The Company does not propose to pay a dividend. No dividend or distribution plans are in operation.

Additional Appendix 4D disclosures can be found in the attached Directors' Report and the 31 December 2015 half-year financial statements.

This report is based on the consolidated 2015 half-year financial statements which have been reviewed by the Company's auditor with the Independent Auditor's Review Report included in the 31 December 2015 half-year financial statements.

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2015.

KNEOMEDIA LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

The Directors present their report together with the financial statements of the consolidated entity consisting of KNeoMedia Limited (formerly Entellect Limited) (the **Company**) and its controlled entities (the **Group**), for the half-year ended 31 December 2015.

DIRECTORS

The following persons were Directors who held office during or since the end of the half-year:

Mr James Kellett	Executive Director, Chief Executive Officer
Mr Andrew Plympton	Non-Executive Chairman (resigned 21 October 2015)
Mr Jeffrey Bennett	Non-Executive Director
Mr Franklin Lieberman	Executive Director

During the half-year ended 31 December 2015, Mr Andrew Plympton resigned as Non-Executive Chairman of the Company due to his increasing public office responsibilities. All other Directors were in office from the start of the period to the date of this report.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

The Group incurred a loss for the period of \$507,209 (2014: Loss \$680,724), primarily attributable to a receipt of other income \$483,570 under the Australian Government's Research and Development Tax Incentive Program for FY 2015 and the containment of employee benefits cost and operating cost.

As the Group continued its product development for the half-year ended 31 December 2015, modest revenue of \$3,851 was however generated in December 2015 signifying the commencement of further anticipated revenue (2014: Nil).

	31 December 2015	31 December 2014
Earnings per share		
Basic earnings/(loss) per share (cents)	(0.23)	(0.02)
Diluted earnings/(loss) per share (cents)	(0.23)	(0.02)

Financial position

The consolidated entity had net liabilities of \$1,242,289 as at 31 December 2015 (30 June 2015: net liabilities \$1,228,877).

Cash flows

During the six months to 31 December 2015, the consolidated entity incurred net operating cash outflows of \$542,196 (2014: \$245,854). The consolidated entity had cash of \$386,197 at 31 December 2015 (30 June 2015: \$979,179) and a deposit of \$50,000 in transition.

KNeoWorld's Operations

During the period the Company continued to make excellent progress with the product development and planned rollout of its edutainment products in Australia, China and the US. This included the continued development of its flagship Games Based Learning Edutainment portal KneoWorld.com together with KNeoSN for special needs students, KNeoEd for class room participation and HeroWorld for distribution in Australia.

Australia

In conjunction with its marketing and distribution partner Mobile Embrace (ASX: MBE), KNeoMedia is achieving encouraging take up rates of the HeroWORLD product in Australia. Having refined and improved the sign up and download process for the product, the Company is encouraged by the increasing number of downloads it is now achieving.

KNeoMedia is confident that the distribution of HeroWORLD through Mobile Embrace's market leading MobiPay platform, utilising the networks of two of Australia's largest telecommunications providers and combined with a targeted marketing campaign, will further improve take up rates for this product. The Company intends to ramp up its marketing campaign for HeroWORLD in the current quarter and beyond.

China

A notable achievement for KNeoMedia during the quarter was the commencement of national distribution of the first Mandarin version of its KNeoJUNIOR in China in conjunction with SmartTrans (ASX: SMA), which began in December. This broader rollout followed a successful initial trial of the product in Guangdong Province, which resulted in over 14,000 individual downloads of the product.

Encouraged by these promising early signs, the Company will now work closely with SmartTrans to build on this initial success and leverage the latter's extensive consumer reach in the large and lucrative Chinese market to deliver KNeoWorld.com as a series of episodic Android Apps for national distribution.

United States

The Company continues to pursue opportunities in the US, with a particular focus on the primary school sector after extensive and successful trials of its KNeoWORLD edutainment suite in a number of public, private and Catholic schools in the New York area. Following this, the Company is now progressing similar distribution opportunities for KNeoWorld product with other organisations of large membership across the US.

Funding & Capital Structure

During the period, the Company received significant support from existing shareholders and new sophisticated investors for its capital raising activities, and raised a total of \$506,100 via the issue of shares of 36,150,000 new ordinary shares at \$0.014 per share which allowed the Group to fund its business development objectives with the remaining \$44,900 balance of the raising received after the balance date.

Further, a number of convertible notes are maturing or will do so shortly as detailed in this Report. After discussions with key convertible note holders, the Board believes the Company has ability to manage the maturation of the convertible notes by a combination of; redemption, maturity date extension and conversion.

The Board is aware that the Company's cash reserves are limited relative to the Company's current operating expenses. The Company continues to receive funding proposals from existing and new sophisticated investors and the Board believes this support provides an adequate buffer against any shortfall in anticipated revenue attainment and for such time as will be required to generate positive cashflow.

Outlook


Having now established footholds in three major markets, KNeoMedia is focused on increasing market penetration and improving uptake of all its products through targeted marketing programs, as well as continuous refinement in order to meet consumer needs.

The Company is also currently assessing a number of strategic partnerships which would potentially allow wider distribution of its edutainment products into additional geographies, and looks forward to updating shareholders in this regard over the coming months.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 7 for the half-year ended 31 December 2015, which forms part of this report.

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



James Kellett
Chairman

26 February 2016

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

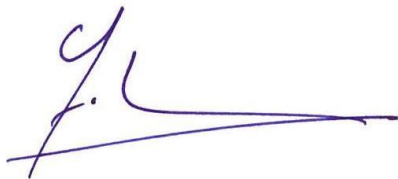
**Auditor's Independence Declaration
To the Directors of KNeoMedia Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of KNeoMedia Limited for the half-year ended 31 December 2015, 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 audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C F Farley
Partner - Audit & Assurance

Sydney, 26 February 2016

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KNEOMEDIA LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	31 Dec 2015	31 Dec 2014
		\$	\$
Revenue			
Sales revenue		3,851	-
Other income	2	485,674	610,707
		489,525	610,707
Employee benefits expense		(146,453)	(260,839)
Corporate expenses		(259,070)	(249,483)
Depreciation and amortisation expense		(8,469)	(9,666)
Other expenses		(493,004)	(446,476)
Finance costs		(83,722)	(166,642)
Performance rights expense	4	-	(18,883)
Loss on movement in fair value of embedded derivatives option		(6,016)	(139,442)
Loss before income tax		(507,209)	(680,724)
Income tax expense		-	-
Loss for the period attributable to members		(507,209)	(680,724)
Other comprehensive loss			
<i>Items that will be classified subsequently to profit or loss:</i>			
Exchange difference on translation of foreign operations (net of tax)		(7,107)	(7,709)
Total comprehensive loss for the period		(514,316)	(688,433)
Loss attributable to:			
members of the parent entity		(416,968)	(580,903)
non-controlling interest		(90,241)	(99,821)
		(507,209)	(680,724)
Total comprehensive loss attributable to:			
members of the parent entity		(428,165)	(589,820)
non-controlling interest		(86,151)	(98,613)
		(514,316)	(688,433)
(Loss)/earnings per share (cents per share)			
— Basic and diluted (loss)/earnings per share		(0.23)	(0.02)

The interim financial statements should be read in conjunction with the accompanying notes.

KNEOMEDIA LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	31 Dec 2015	30 Jun 2015
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents		386,197	979,179
Trade and other receivables		88,965	31,413
Other assets		31,968	38,3449
Total Current Assets		507,130	1,048,941
Non-current Assets			
Property, plant and equipment		9,612	5,081
Intangible assets	3	138,996	-
Total Non-current Assets		148,608	5,081
Total Assets		655,738	1,054,022
Liabilities			
Current Liabilities			
Trade and other payables		266,093	397,597
Other financial liabilities	4	1,631,934	1,885,302
Total Current Liabilities		1,898,027	2,282,899
Total Liabilities		1,898,027	2,282,899
Net Liabilities		(1,242,289)	(1,228,877)
Equity			
Issued capital	6	70,291,663	69,790,759
Reserves		(67,768)	(56,571)
Accumulated losses		(70,441,298)	(70,024,330)
Parent Entity Interest		(217,403)	(290,142)
Non-controlling Interest		(1,024,886)	(938,735)
Total Equity		(1,242,289)	(1,228,877)

The interim financial statements should be read in conjunction with the accompanying notes.

**KNEOMEDIA LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Options Reserve	Convertible note equity Reserve	Non- controlling Interests	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1.7. 2015	69,790,759	(70,024,330)	(127,451)	-	70,880	(938,735)	(1,228,877)
Net loss for the year	-	(416,968)	-	-	-	(90,241)	(507,209)
Other comprehensive income	-	-	(11,197)	-	-	4,090	(7,107)
Total comprehensive income	-	(416,968)	(11,197)	-	-	(86,151)	(514,316)
Shares issued	506,100	-	-	-	-	-	506,100
Conversion of directors fees to share	50,000	-	-	-	-	-	50,000
Transaction costs on shares issued	(55,196)	-	-	-	-	-	(55,196)
Balance at 31.12.15	70,291,663	(70,441,298)	(138,648)	-	70,880	(1,024,886)	(1,242,289)

**KNEOMEDIA LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Options Reserve	Non- controlling Interests	Total
	\$	\$	\$	\$	\$	\$
Balance at 1.7.2014	67,986,375	(68,594,047)	(113,395)	52,942	(744,743)	(1,412,868)
Net loss for the period	-	(580,903)	-	-	(99,821)	(680,724)
Other comprehensive loss for the period	-	-	(8,917)	-	1,208	(7,709)
Total Comprehensive Income	-	(580,903)	(8,917)	-	(98,613)	(688,433)
Transactions with owners in their capacity as owners:						
Share issued in lieu of services rendered	66,400	-	-	-	-	66,400
Conversion of borrowings	25,000	-	-	-	-	25,000
Conversion of Convertible notes to shares	25,000	-	-	-	-	25,000
Conversion of Directors fee payable to shares	100,000	-	-	-	-	100,000
Performance rights expense	-	-	-	18,883	-	18,883
Transaction costs in lieu of capital raising service	(46,400)	-	-	-	-	(46,400)
Equity component of Convertible notes	-	-	-	14,200	-	14,200
Balance at 31.12.2014	68,156,375	(69,174,950)	(122,312)	86,025	(843,356)	1,898,218

The interim financial statements should be read in conjunction with the accompanying notes.

**KNEOMEDIA LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

	31 Dec 2015	31 Dec 2014
	\$	\$
Cash flows from operating activities		
Receipts from customers	3,885	-
Payments to suppliers and employees	(981,294)	(853,310)
Grants from research and development	435,213	607,456
Net cash used in operating activities	(542,196)	(245,854)
Cash flows from investing activities		
Payment for plant and equipment	(8,741)	(1,526)
Payment for development costs	(138,996)	-
Net cash used in investing activities	(147,737)	(1,526)
Cash flows from financing activities		
Proceeds from issue of shares	506,100	-
Payment for share issue costs	(55,196)	-
Proceeds from convertible notes	-	200,000
Repayment of convertible notes	(300,000)	(200,000)
Interest received	2,104	3,251
Finance costs	(43,106)	(24,286)
Net cash provided by financing activities	109,902	(21,035)
Net decrease in cash held	(580,031)	(268,415)
Cash at the beginning of the period	979,179	312,553
Effects of exchange rate changes on cash and cash equivalents	(12,951)	(7,559)
Cash at the end of the period	386,197	36,579

The interim financial statements should be read in conjunction with the accompanying notes.

KNEOMEDIA LIMITED AND CONTROLLED ENTITIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

1. Basis of preparation of the half year financial statements

(a) Basis of preparation

The interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 31 December 2015 and are presented in Australian dollar (\$), 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 2015 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 26 February 2016.

(b) Significant accounting policies

The interim consolidated 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 2015.

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

(c) Estimates

When preparing the interim consolidated financial statements, management has made a number of judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual results may differ from these estimates.

The judgements, estimates and assumptions applied in the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the Group's last annual financial statements for the year ended 30 June 2015.

In this financial period, a new accounting policy to the Group that required judgements, estimates and assumptions that have the effect on the amount recognised in the consolidated financial statements is in the intangible assets note, Note 3.

KNEOMEDIA LIMITED AND CONTROLLED ENTITIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

(d) Going concern basis of accounting

Notwithstanding the loss for the period of \$507,209 (31 December 2014: \$680,724), net deficit of assets of \$1,242,289 at 31 December 2015 (30 June 2015: \$1,228,877) and net cash outflows used in operations of \$542,196 (31 December 2014: \$245,854), the financial report has been prepared on a going concern basis; The Directors consider that this is appropriate given a number of factors, including that KNeoMedia continues to take steps to contain and reduce its corporate overheads in Australia and its operating costs in New York. The non-executive directors additionally continue not to take any payment on their directors' fees in the interim until such time that KNeoMedia has sufficient funds in excess of its working capital requirements. Further, the Board is encouraged by the number of revenue channels that have been established the likely ramping up of sales to both the USA PTA shared revenue and the foundation funded revenue models, the large consumer base and the international direct carrier billing distribution in China and other new international regions. Further, the Company also anticipates receipt of other income for the 2016 year not dissimilar to that of the 2015 year under the Australian Government's Research and Development Tax Incentive Program. Finally, the Directors are confident that, in accordance with the Company's previous track record of capital-raising, KNeoMedia will be able to continue to raise funds as and when required, in order to finance the ongoing capital requirements of the Group for the foreseeable future.

On the basis of these factors, although there is material uncertainty, the Group's cash flow forecast fully supports the Directors' view that it is appropriate for the accounts to be prepared on a going concern basis and that the Group will be able to meet its debts as and when they become due and payable for a period of at least 12 months from the date of this report.

2. Other income

	31 December 2015	31 December 2014
	\$	\$
Grants for research and development	483,570	607,456
Interest income	2,104	3,251
	485,674	610,707

3. Intangible assets

The intangible assets recognised by the Group is product development costs. This accounting policy required the specific judgements and estimates made by the Directors in arriving at the net book value of these assets.

An intangible asset arising from development shall be recognised if, and only if, all of the following are demonstrated:

- (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- (b) its intention to complete the intangible asset and use or sell it;
- (c) its ability to use or sell the intangible asset;
- (d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

KNEOMEDIA LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

3. Intangible assets (continued)

- (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The product development cost capitalised are contracted cost attributable to preparing the products for its intended use.

The product development assets are stated at cost less accumulated amortisation and impairment, and are amortised on a straight-line basis over their useful lives, which is up to a maximum of 3 years. Amortisation shall begin when the asset's future economic benefits are expected to be consumed by the Group, i.e. when revenue is generated in the manner intended by management. The amortisation charge shall be recognised in the statement of profit or loss and other comprehensive income.

During the half-year period, only a minimum revenue was generated and thus the management has yet to commence the amortisation of the intangible assets.

4. Other Financial Liabilities (Current)

	31 December 2015	30 June 2015
	\$	\$
<i>Financial liabilities measure at amortised cost:</i>		
- Convertible notes – loan component	1,253,405	1,505,417
<i>Financial liabilities designated at FVTPL:</i>		
- Embedded derivatives	378,529	379,885
	1,631,934	1,885,302
<i>Movement of the financial liabilities</i>		
<i>Opening balance: Convertible notes – loan component</i>	1,505,417	1,308,580
<i>Additions during the year</i>	-	750,000
<i>Repayment during the year</i>	(300,000)	(200,000)
<i>Increase in unpaid interest</i>	48,917	147,858
<i>Equity component transfer to reserve</i>	-	(35,071)
<i>Imputed interest charge</i>	(928)	(121,199)
<i>Conversion to share</i>	-	(344,751)
<i>Closing balance: Convertible notes – loan component</i>	1,253,405	1,505,417
<i>Opening balance: Embedded derivatives</i>	379,885	163,469
<i>Additions during the year</i>	-	-
<i>(Gain)/Loss on movement in fair value</i>	(1,356)	216,416
<i>Closing balance: Embedded derivatives</i>	378,529	379,885

KNEOMEDIA LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

5. Performance rights issued to Directors and other key management personnel (KMPs) for the Long Term Incentive Plan (LTIP)

The Company's shareholders approved a Long Term Incentive Plan (LTIP) at KNeoMedia's AGM in November 2013. At the 2013 AGM, shareholders approved an issue of performance rights under the LTIP to Directors James Kellett, Andrew Plympton and Jeffrey Bennett.

The fair value of the performance rights granted to Directors at grant date was \$0.022 based on a Black Scholes option pricing model. Vesting of the performance rights is subject to the achievement of revenue hurdle of \$5mil gross revenue during any given 12 consecutive months and conditional upon continuation as a director of the Company. The fair value is allocated to each reporting period evenly from date of grant to the vesting period. The rights will lapse if the vesting conditions are not achieved by 31 December 2016 (expiry date).

During the period, 666,667 performance rights of Andrew Plympton were cancelled upon his resignation. At the half-year, the Company did not recognise any performance rights expense to statement of profit or loss and other comprehensive income in the view that the probability of achieving the performance conditions of the performance rights for exercise are uncertain.

As at the date of this report, there are 2,300,000 performance rights on issue.

6. Issued Capital

	31 December 2015	30 June 2015
	\$	\$
210,223,592 (2015: 171,851,370) fully paid ordinary shares	70,291,664	69,790,759
	70,291,664	69,790,759
	No.	No.
a. Ordinary Shares		
At the beginning of reporting period	171,851,370	88,770,764
Shares issued during the year		
— Conversion of directors fee payable to shares	2,222,222	2,558,142
— Conversion of borrowing to shares	-	12,268,519
— Capital raising fee in lieu	-	7,012,271
— Shares issued	36,150,000	55,555,555
— Exercise of options	-	-
— Conversion of convertible notes	-	5,686,119
At reporting date	210,223,592	171,851,370

**KNEOMEDIA LIMITED AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

7. Earnings Per Share

	31 December 2015	31 December 2014
Basic and diluted earnings/(loss) per share	(0.23) cents	(0.02) cents

Weighted Average Number of Shares

	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	182,325,222	92,377,431

Earnings Used in Calculating EPS

		\$
Loss for the year	507,209	680,724
Loss attributable to non-controlling interest	90,241	99,821
Loss used to calculate basic and diluted EPS	416,968	580,903

As the Group has made a loss in the current year, the impact of options is anti-dilutive, and as such has not been included in the calculation of diluted EPS.

8. Contingent liabilities

There are no outstanding contingent liabilities as at 31 December 2015 (30 June 2015: Nil).

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

Control gained over entities

During the half-year ended 31 December 2015, the Company did not acquire any subsidiary entities.

Loss of control of entities

There was no disposal of subsidiary entities in the half-year ended 31 December 2015.

10. Subsequent events

In the opinion of the Directors, no other matters or circumstances have arisen since 31 December 2015 which have material effects on the operation of the consolidated entity which have not been outlined in this report.

KNEOMEDIA LIMITED AND CONTROLLED ENTITIES DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

In the opinion of the Directors of KNeoMedia Limited,

1. the consolidated financial statements and notes of KNeoMedia Limited, as set out on pages 8 to 17 are in accordance with the *Corporations Act 2001*, including:
 - Giving a true and fair view of its financial position as at 31 December 2015 and of its performance for the half-year ended on that date;
 - Complying with Accounting Standard AASB 134 Interim Financial Reporting; 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.

Signed in accordance with a resolution of the Directors:



James Kellett
Chairman

26 February 2016

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 KNeoMedia Limited

We have reviewed the accompanying half-year financial report of KNeoMedia Limited (“Company”), which comprises the consolidated financial statements being the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement 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 KNeoMedia 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 KNeoMedia Limited consolidated entity’s financial position as at 31 December 2015 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 KNeoMedia 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.

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 KNeoMedia 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 2015 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.

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 1(d) in the financial report which indicates that the consolidated entity incurred a net loss of \$507,209 and net cash outflows used in operations of \$542,196 during the half-year ended 31 December 2015 and has net deficit of assets of \$1,242,289 at 31 December 2015. These conditions, along with other matters as set forth in Note 1(d), 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 may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C F Farley
Partner - Audit & Assurance

Sydney, 26 February 2016