



KNEOMEDIA LIMITED

ABN 41 009 221 783

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2019

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CORPORATE INFORMATION

DIRECTORS

Mr James Kellett	Executive Chairman and Chief Executive Officer
Mr Jeffrey Bennett	Non-Executive Director
Mr Franklin B. Lieberman	Executive Director

COMPANY SECRETARY

Sophie Karzis

REGISTERED OFFICE

Level 7, 411 Collins Street
Melbourne, VIC 3000

AUDITORS

William Buck
Level 20
181 William Street
Melbourne VIC 3000

BANKERS

Westpac
360 Collins Street
Melbourne VIC 3000

SHARE REGISTRY

Boardroom Pty Ltd
Grosvenor Place
Level 12, 225 George Street
Sydney NSW 2000

WEBSITE ADDRESS

www.KNeoMedia.com

CHAIRMAN'S LETTER

Dear Shareholders

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 in primarily general and also special needs education via its SaaS platform 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 general and special needs education;
- **Validated content** by globally recognised and credible education academics and 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.

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.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'James Kellett', with a horizontal line underneath.

James Kellett

Executive Chairman

Melbourne, 26 September 2019

DIRECTORS' REPORT

The Directors present their report together with the financial report of KNeoMedia Limited (KNeoMedia or KNM or the Company) and its controlled entities (the **Group**), for the financial year ended 30 June 2019 and independent auditor's report thereon.

Director details

The following persons were Directors of KNeoMedia Limited during or since the end of the financial year.

<u>Name</u>	<u>Particulars</u>
Mr James Kellett	<p>Executive Chairman and Chief Executive Officer</p> <p>Appointed non-Executive Director on 26 August 2010, Chief Executive Officer on 3 December 2010 and Executive Chairman October 2015. Mr Kellett has over 30 years' experience in global corporate finance and business management and has held senior executive positions in the finance and communications industries, including ASX listed companies. Mr Kellett has been the driving force in establishing KneoWorld Inc. in the game-based education sector in America and other global markets. Mr Kellett's qualifications include a Diploma in Accounting & Finance and Financial Services. He is and an Associate Member of Finsia and has not held directorships in other listed companies in the past 3 years.</p>
Mr Jeffrey Bennett	<p>Non-Executive Director</p> <p>Mr Bennett is a highly experienced finance executive with extensive experience in all facets of finance and business within IT. Mr Bennett has spent the last 10 years at DXC Technology, Computer Sciences Corporation, UXC Limited and Ingena Limited in senior finance roles. Following his role as Chairman of the Board at Jameson Resources Ltd between 2007-2012, Mr Bennett undertook a non-executive Directorship of Jameson Resources Ltd between 2012-2017. He is currently CFO and company secretary of publicly listed company PS&C Ltd. In addition, he has a thorough understanding of the complexities involved with multinationals and companies listed on the ASX. Mr Bennett holds a Bachelor of Commerce and is a Fellow of CPA Australia.</p>
Mr Franklin B. Lieberman	<p>Executive Director</p> <p>Mr Lieberman is an American citizen and has over 45 years' experience in media with multi-national companies including Warner Bros., NBC, CBS, ABC and PBS as well as running the Miracle Factory, a strategic marketing company with clients that included AT&T, IBM, PepsiCo, Pfizer, Johnson & Johnson, Coca Cola and Universal Pictures. He has worked with the United Federation of Teachers and the American Federation of Teachers and was instrumental in developing the educational initiatives for KneoWorld Inc. Mr Lieberman has not held directorships in other listed companies in the past 3 years.</p>
Ms Sophie Karzis	<p>Company Secretary</p> <p>Sophie is a practising lawyer with over 20 years' experience as a corporate and commercial lawyer, and Company Secretary and General Counsel for a number of private and public companies. Sophie is the General Manager of Corporate Counsel, a corporate secretarial business with a focus on ASX Listing Rule and Corporations Act compliance. Sophie is the Company Secretary of a number of ASX-listed and unlisted entities, and is a member of the Law Institute of Victoria as well as the Governance Institute of Australia.</p>

Principal activities

The principal activity of the Group during the financial year was the further development of its online education publishing business across international markets that delivers world-class education assessment products and games-based learning to global educational markets, particularly to Special Needs education facilities. The Group publishes and markets from its US-based subsidiary, KneoWorld Inc., and sells on an annual Seat Licence basis through the KneoWorld.com portal via education departments and distribution agreements. KneoWorld is an education games portal where students play their way through a futuristic and epic world with the games mapped to validated educational content including numeracy, literacy, science, arts, reasoning and memory. The content delivers extensive analytical performance data to educators and complies with child online privacy protection including US COPPA and European GDPR. Our SaaS model provides KneoWorld with a global education market opportunity selling on a business to business strategy.

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 Corporations 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.

The Group's net assets decreased to \$1,401,660 (30 June 2018: \$3,706,185) due to the international expansion activities undertaken during the period and a decrease in equity of \$454,194 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.

The Chairman's report contains further information on the detailed operations of the Group during the year.

The attached financial statements detail the performance and financial position of the Group for the year ended 30 June 2019.

Dividends paid or recommended

No dividends have been paid or declared since the commencement of the financial year. The Directors do not recommend that a dividend be paid for the year ended 30 June 2019.

Directors' interests in Equity Instruments of the Group

The relevant interest of each Director in the shares and quoted options over shares of the Company, as notified by the Directors to the Australian Securities Exchange in accordance with Section 205G (1) of the Corporations Act 2001, at the date of this report are:

	Ordinary Shares		Options	Performance rights Unquoted
	Direct	Indirect		
James Kellett	-	17,665,714	-	5,255,590
Jeffrey Bennett	-	8,319,190	-	2,627,795
Franklin B. Lieberman	2,000,000	166,666	-	2,627,795

Significant changes in the state of affairs

The following significant changes in the state of affairs of the Group occurred during the financial year:

- On 20 November 2018, KNeoMedia reported first sales of 134 KneoWorlds seat licences through its investment in KneoWorld Philippines Inc.
- On 23 November 2018, KNeoMedia reported on a major milestone with the publishing of a Monash University Faculty of Education Research Paper which independently validates the KneoWorld game-based learning content.
- On 26 November 2018, in accordance to shareholders' special resolution passed on 23 November 2018, KNeoMedia renewed and replaced the Company Constitutions.
- On 21 January 2019, KNeoMedia changed its share registry.
- On 3 April 2019, KNeoMedia was pleased to confirm that the Florida Department of Education has approved KneoWorld as a partner product backed by federal funding.
- On 4 April 2019, KNeoMedia confirmed the first sale of 100 seat licences to Crane School District in Yuma County, Arizona.
- On 11 April 2019, KNeoMedia confirmed successful placement of 32.5 million shares at \$0.022 per share all being issued under Listing Rule 7.1 for a total value \$715,000.
- On 30 April 2019, KNeoMedia's CEO presented at the Planet Microcap Conference in Las Vegas.
- On 13 June 2019, KNeoMedia confirmed that Dell Technologies will be supporting the "Connect all Kids" initiative, an education program developed by the National Association for the Advancement of Coloured People (NAACP) and KNeoMedia.
- On 21 June 2019, KNeoMedia confirmed successful placement of 26.1 million shares and \$0.05 per share for a total value of \$1,340,000.

Significant events after the balance date

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

Future developments, prospects and business strategies

Likely developments in the operations of the Group and the expected results of those operations in future financial years have been included in the Chairman's Letter.

Directors' Meetings

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year were:

Director	Directors' Meetings	
	Number Attended	Number eligible to attend
James Kellett	5	5
Jeffrey Bennett	5	5
Franklin Lieberman	4	5

Given the size of the Company and composition of the Board, the Company does not have separate Audit, Risk, Nomination or Remuneration Committees however these matters are addressed regularly at each Board Meeting.

Shares issued during or since the end of the year as a result of exercise of options

Share capital of \$383,924 was raised (15,356,943 shares issued) during the year as a result of exercised options. There haven't been any exercised share options since 30 June 2019.

Options and Performance rights

No options or rights were granted during the year and no options or rights have been granted to Key Management Personnel (KMP) since the end of the financial year. No options to KMP were exercised during the financial year.

	Grant date	No.	Fair Value (\$)	Expiry date	Conditions	Balance at 30 June 2019
Performance Rights	15 Apr 2016	10,511,180	0.0096	31 Dec 2019	Continuation as a Director and until the revenue hurdle of A\$5mil gross revenue is achieved during any 12 consecutive months	10,511,180
	Grant date	No.	Exercise Price (\$)	Expiry date	Conditions	Balance at 30 June 2019
Options	20 Nov 2017	5,000,000	0.0585	20 Nov 2020	-	5,000,000
Options	28 Jun 2019	13,405,000	0.100	28 Jun 2021	-	13,405,000
Options	28 Jun 2019	10,000,000	0.075	29 Jun 2021	-	10,000,000

Environmental issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory of Australia.

Indemnification and insurance of directors and officers

The Company agreed to indemnify all directors and executive officers for losses which they may become legally obligated to pay on account of any claim first made against them during the policy period for a wrongful act committed before or during the policy. During the year, the total amount of insurance contract premiums paid was \$19,955.

Proceedings on behalf of Group

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

The Group was not a party to any such proceedings during the year.

Remuneration Report (audited)

The Directors of the Company present the Remuneration Report for Non-Executive Directors, Executive Directors of the Company and other Key Management Personnel, prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

The Remuneration Report is set out under the following sections:

1. Key Management Personnel (KMP) disclosed in this report
2. Remuneration Governance
3. Directors and Executive remuneration arrangements
4. Details of Key Management Personnel remuneration
5. Additional disclosures relating to options and shares

1. Key Management Personnel (KMP) disclosed in this report

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Group, including any Director of the Company.

Key Management Personnel during the financial year are as follows:

Non-executive Directors (NEDs)	
Jeffrey Bennett	Director (Non-Executive)
Executive Directors	
James Kellett	Executive Chairman & Chief Executive Officer (CEO)
Franklin B. Lieberman	Executive Director
Senior Executive	
Damian O'Sullivan	Chief Operating Officer (COO)

2. Remuneration Governance

Remuneration Policy

The remuneration policy of the Group has been designed to align Director and executive obligations with shareholder and business objectives by providing a fixed remuneration and options. The Board considers the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and Directors to run and manage the Group.

The Board's policy for determining the nature and amount of remuneration for Board members and other KMP of the Group is as follows:

The remuneration structure for KMP is based on a number of factors including length of service, particular experience of the individual concerned, and overall performance of the Group. All executives receive a base salary only. The Board, which performs the function of a remuneration committee, reviews executives' packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries. The Board may exercise its discretion in relation to approving bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

All remuneration paid to Directors and other KMP is valued at the cost to the Group and expensed. Performance rights granted to Directors and KMP are valued using the Black Scholes option pricing model.

The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. The maximum aggregate fee cap for fees payable to Non-Executive Directors per annum is \$300,000, as approved by shareholders. Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, all Directors are encouraged to hold shares in the Group.

Use of remuneration consultants

No remuneration consultants were used during the year.

Voting and comments made at the Group's 2018 Annual General Meeting (AGM)

KNeoMedia shareholders passed a resolution on a unanimous show of hands to adopt the Group's remuneration report for the financial year ended 30 June 2018 at the 2018 AGM. The Group did not receive any specific feedback at the AGM on its remuneration report.

Group Performance, Shareholder Wealth and Directors and other Key Management Personnel Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and other KMP. One of the main methods to achieve this aim will be the issue of options to executives to encourage the alignment of personal and shareholder interests, which the Board is currently considering. The Group believes this policy will be effective in increasing shareholder wealth in future years.

3. Directors and executive remuneration arrangements

Employment Contracts of Directors and Executives

The remuneration structure for KMP is based on a number of factors including length of service, particular experience of the individual concerned, and overall performance of the Group. The contracts for service between the Group and specified Directors and executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement, specified Directors and executives are paid employee benefit entitlements accrued to the date of their retirement. In the event of termination, payment of entitlements accrued including any notice period will be made in accordance with the applicable laws.

The employment terms and conditions of KMP and Group executives are formalised in contracts of employment.

Directors/Executive	Term of agreement	Notice Period
James Kellett	Unspecified	Six months
Jeffrey Bennett	Unspecified	Unspecified
Franklin B. Lieberman	Unspecified	Unspecified
Damian O'Sullivan	Unspecified	12 weeks

4. Details of Key Management Personnel Remuneration

Details of the nature and amount of each major element of the remuneration of each Director and other Key Management Personnel of the Group are:

		Short-term benefits		Post-employment	Share based payments	Total
		Salary & fees	Leave Entitlement	Superannuation	In lieu of fees	
Executive Director		\$	\$	\$	\$	\$
James Kellett -CEO	2019	329,469	24,581	20,531	-	374,581
	2018	168,000	-	-	-	168,000
Franklin B. Lieberman	2019	116,689	-	-	-	116,689
	2018	142,083	-	-	-	142,083
Non-executive Director						
Jeffrey Bennett	2019	42,000	-	-	15,400	57,400
	2018	42,000	-	-	-	42,000
Other KMP						
Damian O'Sullivan	2019	176,640	13,585	16,781	-	207,006
	2018	47,555	3,396	4,196	-	55,147
Total KMP	2019	664,798	38,166	37,312	15,400	755,676
Total KMP	2018	399,638	3,396	4,196	-	407,230

5. Additional disclosures relating to options and shares

a. Performance rights holdings of key management personnel

The performance rights granted to key management personnel are under the Group's Long-Term Incentive Plan (LTIP) to the existing three Directors. The performance rights will vest subject to a number of vesting conditions (revenue targets and continued directorship).

The table below discloses the number of performance rights granted to Directors as LTIP remuneration. The performance rights do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

The rights to Directors below are conditional upon continuation as a Director until the revenue hurdle of A\$5mil gross revenue is achieved during any given 12 consecutive months. The performance rights will lapse if the performance hurdles are not achieved by 31 December 2019. All performance rights (10,512,000), if vested, will have a fair value of \$0.0096 per share.

	Grant date	No. granted ('000)	Fair value at grant date (\$)	Expiry date	Number lapsed	Balance at 30/6/2019 ('000)	Vested ('000)	Unvested ('000)
James Kellett	15 Apr 2016	5,256	0.0096	31 Dec 2019	-	5,256	-	5,256
Franklin B. Lieberman	15 Apr 2016	2,628	0.0096	31 Dec 2019	-	2,628	-	2,628
Jeffrey Bennett	15 Apr 2016	2,628	0.0096	31 Dec 2019	-	2,628	-	2,628

There were no rights issued to other KMP in the Group. There were no changes to the rights held by KMP during the year.

As at the reporting date, the Group did not recognise any performance rights expense to the 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.

b. Shareholdings of key management personnel

	Balance at 1 July 2018 No.	Granted as remuneration No.	On exercise of options No.	Acquired and/or disposed on market No.	Balance at 30 June 2019 No.
Executive Director					
James Kellett	17,665,714	-	-	-	17,665,714
Franklin B. Lieberman	2,166,666	-	-	-	2,166,666
Non-executive Directors					
Jeffrey Bennett	7,089,416	229,774	-	1,000,000	8,319,190
Total	26,921,796	229,774	-	1,000,000	28,151,570

c. Unlisted Options held by key management personnel

	Balance at 1 July 2018 No.	Granted as remuneration No.	Exercise of options No.	Lapsed options No.	Balance at 30 June 2019 No.
James Kellett	7,142,857	-	-	(7,142,857)	-
Franklin B. Lieberman	-	-	-	-	-
Jeffrey Bennett	-	-	-	-	-
Total	7,142,857	-	-	(7,142,857)	-

d. Loans to Key Management Personnel and their related parties

There were no loans made to KMP and their related parties during the financial year and none are outstanding as at the date of this report.

e. Other transactions and balances with key management personnel and their related parties

	2019 \$	2018 \$
Related party payables		
Fees payable to key management personnel	<u>28,600</u>	<u>46,200</u>

f. Other transactions with Key Management Personnel-related entities

Amounts paid to related parties of the directors of the Company on arm's length terms	<u>60,000</u>	<u>60,000</u>
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End of Audited Remuneration Report**Non-audit services**

The auditor, William Buck, did not provide any non-audit services to the Group during the financial year ended 30 June 2019.

Auditor's Independence Declaration

The lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 for the year ended 30 June 2019 has been received and can be found on page 13, which forms part of this report.

Signed in accordance with a resolution of the Directors



James Kellett,
Executive Chairman
26 September 2019

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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2019 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

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

A handwritten signature in black ink, appearing to read "N.S. Benbow".

N.S. Benbow
Director

Dated this 26th day of September, 2019

ACCOUNTANTS & ADVISORS

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Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

Corporate Governance Statement

The Company's Directors and management are committed to conducting the business of KNeoMedia Limited and its controlled entities (the **Group**) in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) (**Recommendations**) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Group, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (**Corporate Governance Statement**).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement is available for review on KNeoMedia's website (www.KNeoMedia.com) (the **Website**), and lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G identifies each Recommendation and provides shareholders with information as to where relevant governance disclosures can be found.

The Group's corporate governance policies and charters and policies are all available on the Website.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	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		(1,018,793)	(409,203)
Share-based payments expense		-	(660,833)
Depreciation and amortisation expenses		(402,680)	(266,285)
Marketing expenses		(721,415)	(314,372)
Other expenses	2	(1,831,644)	(1,279,865)
Finance costs		(21,459)	(18,271)
Gain on movement in fair value of embedded derivatives option		-	38,788
		(3,966,911)	(2,349,082)
Income tax expense		-	-
		(3,966,911)	(2,349,082)
Loss after income tax			
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
		(4,102,849)	(2,344,558)
Total comprehensive loss for the year			
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	4	0.54	0.39

The 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 30 JUNE 2019

	Note	2019 \$	2018 \$
Current Assets			
Cash and cash equivalents	5	1,167,913	2,713,642
Trade and other receivables	6	252,219	769,699
Prepayments & 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	7	553,163	389,207
Non-refundable deposit 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	8	738,456	331,426
Deferred revenue		20,495	57,815
Employee benefits	9	41,562	3,396
Total Current Liabilities		800,513	392,637
Total Liabilities		800,513	392,637
Net Assets		1,401,660	3,706,185
Equity			
Issued capital	10	19,254,116	80,013,462
Reserves		(290,193)	(181,443)
Accumulated losses		(15,578,383)	(74,717,298)
Parent Entity Interest		3,385,540	5,114,721
Non-controlling interest		(1,983,880)	(1,408,536)
Total Equity		1,401,660	3,706,185

The consolidated statement of financial position should be read in conjunction with the accompanying notes

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)	(454,193)
Adjusted opening balance	80,013,462	(75,080,653)	(181,443)	(1,499,375)	3,251,992
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 \$454,193 which has resulted from a reduction in trade receivables of \$504,676 and a reduction in deferred revenue of \$50,483.

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 consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

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 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 consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	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	11	(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)
Payment of non-refundable deposit to acquire minority interest		(50,000)	-
Proceeds loaned to a related party		(83,474)	(21,222)
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		(21,459)	(8,608)
Net cash provided by financing activities		2,230,742	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	5	1,167,913	2,713,642

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

This consolidated financial report and notes of KNeoMedia Limited (the **Company**) and controlled entities (the **Group**) for the year ended 30 June 2019 was authorised for issue in accordance with the resolution of the Directors on the date of signing the attached Directors' Declaration.

KNeoMedia Limited is a public listed Company limited by shares and is listed in Australia on the ASX. It is incorporated and domiciled in Australia.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated general purpose financial report of the Group has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). KNeoMedia Limited is a for-profit Group for the purpose of preparing the financial report.

The financial report has been prepared in accordance with the historical cost convention and apply the going concern basis of accounting. The financial report is presented in Australian dollars.

The significant and material accounting policies relevant to the financial statements follow.

a. Going Concern Basis of Accounting

Notwithstanding the parent entity incurred a net loss for the year of \$3,509,594 and net cash outflows used in operations of \$3,098,805, based on its current commitments, and with a cash balance at 30 June 2019 of \$1,167,913, KNeoMedia has sufficient funds to meet its debts as and when they fall due. Accordingly, the financial report has been prepared on a going concern basis.

The Directors determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. The assessment of going concern is based on cash flow projections. The preparation of these projections incorporate a number of assumptions and judgements, and the Directors have concluded that the range of possible outcomes considered does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern. The company continues to receive shareholder support in further capital raisings and the increase in costs for the year relate directly to the increased revenue attainment announced post June 30th, 2019.

As a result, these accounts have been prepared on the basis that the Group can continue normal business activities and meet its commitments as and when they fall due, and the realisation of assets and liabilities in the ordinary course of business.

b. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2019. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**c. Revenue and Other Income**

Revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step process outlined in AASB 15.

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract and determine at what point they are satisfied.

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations

Step 5: Recognise the revenue.

The Group has implemented the requirements of AASB 15 using the modified retrospective method. On transition, it was identified that revenue from the contract with the schools in New York City Department of Education District 75 would be reversed and only recognized when there is sufficient evidence to support that the customer is able to commit to meeting their performance obligations.

The Group has identified its main performance obligations and how it satisfies them as set out below:

- The group's performance obligations is satisfied when the special needs schools have access to the online education platform by way of licence per student access on a 12 months basis;
- A licence is effective at the point in time when access to the online education platform is available to the student and when contract and payment terms have been affirmed;
- Revenue is recognised on a straight-line basis over the term of contract.

Grants for research and development are recognised as other income once the Group is certain of both the amount and recoverability of the amounts.

Interest income and expenses are reported on an accrual basis using the effective interest method.

d. Goods and Services Tax and Sales Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office or US Tax authorities. In these circumstances the GST is recognised as part of an item of the expenses or as part of the cost of acquisition of the asset. Receivables and payables in the statement of the financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

e. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and at bank, short term deposits with an original maturity of three months or less held at call with financial institutions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**f. Intangible Assets*****Project development costs***

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 cost is 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;
- 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.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

The product development cost capitalised are contracted cost attributable to preparing the products for their intended use. The useful life of development costs is estimated at 2 years.

Subsequent measurement

The product development assets are stated at cost less accumulated amortisation and impairment, amortised on a straight-line basis over their useful lives, which is up to a maximum of 2 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.

g. Financial Instruments***Recognition and Initial Measurement***

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the financial instrument and are measured initially at fair value adjusted by transaction costs. Subsequent measurement of financial assets and financial liabilities are at amortised cost.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

At each reporting date, the Group reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

h. Trade and Other Payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**i. Foreign Currency Transactions and Balances*****Functional and Presentation Currency***

The consolidated financial statements are presented in Australian dollars ('AUD'), which is also the functional currency of the Parent Company.

Transaction and Balances

Foreign currency transactions are translated into the functional currency of the respective entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the AUD are translated into AUD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into AUD at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into AUD at the closing rate. Income and expenses have been translated into AUD at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

j. Segment Reporting

Operating segments are reported in the manner consistent with the internal reporting provided to the chief operating decision makers (CODM). The chief operating decision makers, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

The Educational Games Distribution business in the Asia-Pacific region is the Group's only business segment. Hence no operating segment disclosure is required.

k. Significant Management Judgement and estimation uncertainty in Applying Accounting Policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Recognition and amortisation of intangible assets

Development costs have been assessed and considered whether they will derive a future economic benefit. The useful life of development costs recognised as an intangible asset has been estimated at 2 years given the constant evolution of technology.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgement is required in determining the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has \$4,746,400 (2018: \$3,386,277) of accumulated tax losses which have not been recorded on the balance sheet due to the uncertainty of the timing of future assessable income. Unused revenue and capital losses will be available in future to offset against income to the extent permitted by the relevant tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

I. New and revised standards that are effective for these financial statements

The Group has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

AASB 15: Revenue from Contracts with Customers

Revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step process outlined in AASB 15.

Step 1: Identify the contract with the customer

Step 2: Identify the performance obligations in the contract and determine at what point they are satisfied.

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations

Step 5: Recognise the revenue.

The Group has implemented the requirements of AASB 15 using the modified retrospective method. On transition, it was identified that revenue from the contract with the schools in New York City Department of Education District 75 would be reversed and only recognized when there is sufficient evidence to support that the customer is able to commit to meeting their performance obligations.

The Group has identified its main performance obligations and how it satisfies them as set out below:

- The group's performance obligations is satisfied when the special needs schools have access to the online education platform by way of licence per student access on a 12 months basis;
- Revenue from the sale of the licence is recognised at the point in time when access to the online education platform is available to the student and when contract and payment terms have been affirmed;
- Revenue is recognised on a straight-line basis over the term of contract.

For customer subscriptions generated through the Group's channel partners, revenue represents a fixed proportion of the subscription price and is recognised when subscribers sign up to the educational game in the Apps Store and pay for the subscription. The Group discontinued this product at end of FY 2018 and thus this revenue stream has ceased in FY 2019 and it has no impact on the financial performance and position of the Group from the adoption of AASB15.

AASB 9: Financial Instruments

AASB 9 replaced guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 requires the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. It also carries forward the guidance on recognition and derecognition of financial assets and liabilities from AASB 139. AASB 9 has been applied and has not had a material impact on the classification of its financial assets and liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

AASB 16: Leases

AASB 16 replaces AASB 117 Leases and for lessees will eliminate the classifications of operating leases and finance leases. This standard requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases. This standard requires the calculation and recognition of a right-of-use asset and corresponding liability based on the discounted value of committed lease payments. These payments, currently expensed to profit or loss as incurred will be replaced by the straight-line amortisation of the right-of-use asset and reduce the lease liability. In the earlier periods of the lease, the expenses associated with the lease under AASB 16 is higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments are separated into both a principal (financing activities) and interest (either operating or financing activities) component.

The Group adopted this standard from 1 July 2019 which will result in the removal of operating lease costs and recognising interest expense and amortisation of leases on balance sheet. Being short term, the Group's operating commitments are disclosed in the notes to the financial statements at discounted values in accordance with AASB 16.

	2019 \$	2018 \$
NOTE 2: CORPORATE & ADMINISTRATION EXPENSES		
Corporate costs	649,873	477,699
Consulting fees	367,949	176,187
R & D expense	154,467	30,000
Occupancy costs	119,505	61,474
Capital raising costs	18,000	73,389
Administration costs	128,822	89,898
Other expenses	393,028	371,218
	1,831,644	1,279,865

	2019 \$	2018 \$
NOTE 3: AUDITORS' REMUNERATION		

Amounts received or due and receivable by **Grant Thornton** for:

An audit or review of the financial report of the Group and any entity in the Group	4,765	74,000
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Grant Thornton did not provide any non-audit services.

Amounts received or due and receivable by **William Buck** for:

An audit or review of the financial report of the Group and any entity in the Group	35,085	-
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William Buck did not provide any non-audit services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 4: LOSS PER SHARE

Basic loss per share is calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share is calculated by dividing the net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2019 \$	2018 \$
Basic and diluted loss to profit or loss	0.54 cents	0.39 cents
a. Reconciliation of earnings to profit or loss		
Loss for the year	3,966,911	2,349,082
Loss attributable to non-controlling interest	(457,317)	(121,081)
Earnings used to calculate basic and dilutive EPS	3,509,594	2,228,001
	No.	No.
b. Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	654,713,299	562,729,690

Options (28,405,000) and performance rights (10,511,180) have not been included in the calculation of diluted EPS because they are anti-dilutive.

NOTE 5: CASH AND CASH EQUIVALENTS

	2019 \$	2018 \$
Cash at bank and in hand	116,933	713,642
Short term deposits	1,050,980	2,000,000
	1,167,913	2,713,642

NOTE 6: TRADE AND OTHER RECEIVABLES

CURRENT

Trade receivables	6,819	506,180
Accrued revenue	-	1,169
Amounts receivable from investors for previous capital raising	200,000	200,000
Other receivables	9,170	39,167
	215,989	746,516
GST recoverable	36,230	23,183
	252,219	769,699

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**Ageing analysis**

Customers with balances past due but without provision for impairment of receivables amount to \$6,819 as at 30 June 2019 (30 June 2018: \$506,180).

	2019	2018
	\$	\$
Zero to three months overdue	6,819	-
Three to six months overdue	-	18,655
Over six months overdue	-	487,525
	6,819	506,180

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

The carrying amount of the receivable is considered a reasonable approximation of fair value as this financial asset (which is measured at amortised cost) is expected to be paid within six (6) months, such that the time value of money is not significant.

All of the Group's trade and other receivables have been reviewed for indicators of impairment. None were found to be impaired and no allowance for credit losses (2018: Nil) has been recorded accordingly within other expenses.

	2019	2018
	\$	\$

NOTE 7: INTANGIBLE ASSETS**Gross carrying amount**

Balance as at 1 July	911,145	455,325
Additions	555,964	429,417
Exchange differences	-	26,403
Balance at 30 June	1,467,109	911,145

Accumulated amortisation and impairment

Balance as at 1 July	521,938	240,084
Amortisation expense	392,008	261,793
Exchange differences	-	20,061
Balance at 30 June	913,946	521,938
Net book value at 30 June	553,163	389,207

The intangible assets recognised by the Group is product development costs. This accounting policy required (refer Note 1(k)) the specific judgements and estimates made by the Directors in arriving at the net book value of these assets.

The product development costs capitalised are contracted costs attributable to preparing the products for their 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 of 2 years. The Group commenced the amortisation of intangible assets when the Group started to generate income in March 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**NOTE 8: TRADE AND OTHER PAYABLES**

	2019	2018
	\$	\$
CURRENT (unsecured)		
Trade payables	464,243	225,387
Other creditors and accruals	245,613	59,839
Amounts payable to related parties	28,600	46,200
	738,456	331,426

NOTE 9: EMPLOYEE BENEFITS

CURRENT

Carrying amount at 1 July	3,996	-
Additional provisions	37,566	3,996
Amount utilised	-	-
Carrying amount at 30 June	41,562	3,996

The comparative provision has been reclassified so that the employee benefits provisions only represent annual leave balances. Payables for superannuation and pay-as-you-go are classified as other creditors and accruals. All provisions are considered current.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**NOTE 10: ISSUED CAPITAL**

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

	2019		2018	
a. Ordinary Shares	\$	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

At 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 share capital of KNeoMedia Limited consists only of fully paid ordinary shares. The shares do not have a par value. At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. Capital Management

Management controls the capital of the Group in order to maintain a good debt to equity ratio, aims to provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

As at 30 June 2019, the Group has 42,281,334 remaining in its placement capacity under ASX Listing Rule 7.1 and 37,088,784 under ASX Listing Rule 7.1A

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

The Group has no borrowings as at 30 June 2019 (2018: \$Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
NOTE 11: CASH FLOW INFORMATION		
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
Loss after income tax	(3,966,911)	(2,349,082)
Non-cash flows in profit:		
Depreciation & amortisation	402,680	266,285
Shares issued in lieu of Directors Fees	15,400	660,833
Changes in FV of embedded derivatives	-	(38,788)
Finance cost	-	14,046
Changes in assets and liabilities:		
Increase in trade and term receivables	(143,960)	(463,984)
(Increase)/decrease in other assets	127,332	(6,203)
(Increase)/decrease in trade payables and accruals	342,365	(176,712)
Decrease in employee benefits	124,289	21,735
Net cash flow outflow from operations	(3,098,805)	(2,071,870)

NOTE 12: PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the accounting standards.

STATEMENT OF FINANCIAL POSITION**ASSETS**

Current Assets	1,486,276	3,085,312
Non-current Assets	10,551,367	212,906
TOTAL ASSETS	12,037,643	3,298,218

LIABILITIES

Current Liabilities	632,928	(247,799)
TOTAL LIABILITIES	632,928	(247,799)

EQUITY

Issued Capital	19,254,116	80,013,462
Retained Earnings	(7,849,401)	(76,963,043)
TOTAL EQUITY	11,404,715	3,050,419

STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

Total loss	(1,680,327)	(2,824,683)
Total comprehensive income	(1,680,327)	(2,824,683)

Guarantees

KNeoMedia Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

NOTE 12: PARENT INFORMATION (CONTINUED)**Contingent Assets and Liabilities**

KNeoMedia Limited had no contingent assets and liabilities as at 30 June 2019.

Contractual Commitments

At 30 June 2019 KNeoMedia Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2018: Nil).

NOTE 13: CONTROLLED ENTITIES**Subsidiaries**

The consolidated financial statements include the financial statements of KNeoMedia Limited and the subsidiaries listed in the following tables:

	Country of Incorporation	Percentage Owned	
		2019 %	2018 %
Virtual Communications International Pty Ltd	Australia	100	100
KneoWorld Pty Ltd (1)	Australia	80	80
KneoWorld Inc.(2)	United States	80	80
KneoWorld UK Limited	United Kingdom	100	100

(1). KneoWorld Pty Ltd was registered in June 2013 to take over the 100% ownership of KneoWorld Inc, a US company based in New York and incorporated in Delaware. KneoWorld Pty Ltd is 80% owned by KNeoMedia and 20% owned by unlisted Singapore based company Hotshot Media Limited.

(2). KneoWorld Inc. was incorporated in 15 March 2011.

(3) KneoWorld UK Limited was registered on 12th June 2018 and is 100% owned by KneoWorld Pty Ltd.

Subsidiary with material non-controlling interests

The Group includes one subsidiary, KneoWorld Pty Ltd and its subsidiary KneoWorld Inc, with material Non-Controlling Interests ('NCI'):

Name	Proportion of Ownership Interests & Voting Rights Held by the NCI		Loss Allocated to NCI		Accumulated NCI	
	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18	30-Jun-19	30-Jun-18
KneoWorld Inc	20%	20%	457,317	120,176	1,983,879	1,408,536

No dividends were paid to the NCI during the years 2019 and 2018.

Summarised financial information for KneoWorld Pty Ltd, before intragroup eliminations, is set out below:

	2019 \$	2018 \$
Current assets	36,939	585,596
Non-current assets	662,302	194,747
Total assets	699,241	780,343
Current liabilities	(160,434)	(123,103)
Non-current liabilities	(10,461,583)	(7,703,303)
Total liabilities	(10,622,017)	(7,826,406)
Net assets (liabilities)	(9,922,776)	(7,046,063)
Equity attributable to owners of the Parent	(7,938,221)	5,637,527
Non-controlling interests	(1,984,555)	1,408,536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**Subsidiary with material non-controlling interests (continued)**

	2019	2018
	\$	\$
Loss for the year attributable to owners of the Parent	(1,829,267)	(484,322)
Loss for the year attributable to NCI	(457,317)	(121,081)
Loss for the year	(2,286,584)	(605,403)

NOTE 14: LEASES**Operating Leases as lessee**

The Group leases two offices under operating leases. The future minimum leases payments are as follows:

Within 1 year	42,600	100,896
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The Melbourne office lease is also a 1-year lease at a monthly rent of \$3,550 per month and a service retainer of \$7,100. The New York office lease is a month to month arrangement at US\$3,600 with 30-days notice and is therefore excluded from the lease commitments above.

NOTE 15: CONTINGENT ASSETS AND LIABILITIES

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

NOTE 16: RELATED PARTY TRANSACTIONS

Amounts payable to related parties as at 30 June 2019 was \$28,600 as disclosed in Note 8.

Proceeds loaned to related parties included in the statement of cashflow of \$83,474 is an investment and reported as a non-current asset on the statement of financial position.

Marketing expenses includes \$60,000 paid to related parties of directors of the Company on arm's length terms (2018: \$60,000).

NOTE 17: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and accounts payable and set out in the statement of financial position. Each of these had a carrying value that approximated fair value at reporting date.

The Group is exposed to various risks in relation to financial instruments.

The Group's overall financial risk management plan seeks to minimise potential adverse effects to due to the unpredictability of financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

The main risk the Group is exposed to through its financial instruments is liquidity risk.

The risk management policies of KNeoMedia Limited seek to mitigate the above risks and reduce volatility on the financial performance of the Group. Financial risk management is carried out centrally by the Finance Department of KNeoMedia Limited.

a. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

NOTE 18: SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

NOTE 19: SUMMARISED KEY MANAGEMENT PERSONNEL REMUNERATION

Details of the nature and amount of each major element of the remuneration of each Director and other Key Management Personnel of the Group are:

		Short-term benefits		Post-employment	Share issued	Total \$
		Salary & fees \$	Leave Entitlement \$	Superannuation \$	In lieu of fees \$	
Executive Director						
James Kellett -CEO	2019	329,469	24,581	20,531	-	374,581
	2018	168,000	-	-	-	168,000
Franklin B. Lieberman	2019	116,689	-	-	-	116,689
	2018	142,083	-	-	-	142,083
Non-executive Director						
Jeffrey Bennett	2019	42,000	-	-	15,400	57,400
	2018	42,000	-	-	-	42,000
Other KMP						
Damian O'Sullivan	2019	176,640	13,585	16,781	-	207,006
	2018	47,555	3,396	4,196	-	55,147
Total KMP	2019	664,798	38,166	37,312	15,400	755,676
Total KMP	2018	399,638	3,396	4,196	-	407,230

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The consolidated financial statements and notes, as attached are in accordance with the Corporations Act 2001 and:
 - a) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the Group; and
 - b) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
 - c) in the director's opinion, further to the matters included in Note 1(a), there are reasonable grounds to believe that KNeoMedia Limited will be able to pay its debts as and when they become due and payable; and
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer (or equivalent) for the financial year ended 30 June 2019; and
3. The consolidated financial statements comply with International Financial Reporting Standards.

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



James Kellett,
Executive Chairman

26 September 2019

KNeoMedia Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of KNeoMedia Limited (the Company) and its controlled entities (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

ACCOUNTANTS & ADVISORS

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Melbourne VIC 3000

Telephone: +61 3 9824 8555

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Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial report, which indicates that the Group incurred a net loss of \$3,509,594 for the year ended 30 June 2019 and, as of that date, the Group's net cash outflows used in operations was \$3,098,805. As stated in Note 1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

We were appointed as auditor to the Company upon the date of their most recent annual general meeting, being 23 November 2018. Prior to this date, we note that the incumbent auditor issued a qualified opinion accompanying the financial report for the year ended 30 June 2018. The major area leading to that qualified opinion, as set out in the Basis for Qualified Opinion in the 30 June 2018 audit report was being unable to obtain sufficient appropriate audit evidence about the occurrence of revenue or recoverability of trade receivables.

As the matter specifically relates to the recognition of revenue, and the Company has adopted a new accounting policy for recognising revenue that meets the requirements of AASB 15 *Revenue from Contracts with Customers*, we were able to obtain sufficient and appropriate evidence regarding both the occurrence of revenue and the recoverability of trade receivables. Consequently, our opinion set out above is unmodified.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

RECOGNITION OF REVENUE	
Area of focus	How our audit addressed it
<p>The Group elected to adopt the modified retrospective approach under the AASB 15 Revenue from Contracts with Customers.</p> <p>In accordance with the requirements of AASB 15, the Group revised their revenue recognition policy effective 1 July 2018. As a consequence of the different recognition criteria contained in AASB 15, the Group derecognised revenue, deferred revenue and related trade receivable.</p> <p>As stated above, the previous auditor had issued a qualified opinion over the occurrence of revenue and the existence of receivables in relation to this contract within the ambit of the previous revenue accounting standard, AASB 118.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Evaluating the Group's revenue recognition policy and its compliance with AASB 15, and the application of the modified retrospective approach. — Examining the correspondence with the counterparties to the contract which gave rise to the restatement of balances upon adoption of the new revenue accounting policy; — Testing of revenue recognition over material contracts, both current and historical; and — Reviewed the transitional adjustments. <p>We also assessed the disclosures in the financial statements surrounding the adoption of the new revenue recognition policy.</p>

CAPITALISATION OF INTANGIBLE ASSETS	
Area of focus	How our audit addressed it
<p>The Group has capitalised a total of \$555,965 to product development costs in its statement of financial position.</p> <p>These product development costs meet the requirements of AASB 138 for capitalisation, principally that they relate to development of a product that can be and is commercialised, and are not research activities.</p> <p>These costs are being amortised on a straight-line basis over a two-year period.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — Reconciling movements in product development costs for the year; — Vouching additions to either contractor invoices or payroll records to ensure that the Group could substantiate the nexus of those costs to development activities; — Understanding the underlying project to ensure that it had no indicators of impairment; and — Recomputing the amortization charge for the year.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

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

Report on the Remuneration Report

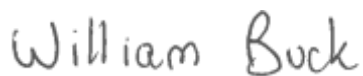
Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of KNeo Media Limited., for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



William Buck Audit (VIC) Pty Ltd

ABN: 59 116 151 136



N.S. Benbow

Director

Melbourne, 26 September 2019

ADDITIONAL SECURITIES EXCHANGE INFORMATION

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 27 August 2019 (**Reporting Date**).

Corporate Governance Statement

The Company's Directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (Third Edition) (**Recommendations**) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (**Corporate Governance Statement**).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on KNeoMedia's website, www.kneomedia.com (**Website**), and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX. The Appendix 4G will particularise each Recommendation that needs to be reported against by KNeoMedia and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on KNeoMedia's Website.

Substantial Holders

As at the Reporting Date, substantial holders of KNeoMedia shares based on substantial holder notices received by the Company are as follows:

Substantial holders	Number of shares held	% of total issued share capital
Melbourne Capital Limited and Angus Edgar	63,872,547	8.95
Barrijag Pty Ltd <The Hadley Super Fund A/C>	63,202,474	8.85

Distribution of Equity Securities

As at the Reporting Date, the number of holders in each class of equity securities on issue in KNeoMedia is as follows:

Class of Equity Securities	Number of holders
Ordinary Shares	1,635
Options exercisable at \$0.0585 on or before 20 November 2020	2
Options exercisable at \$0.075 on or before 28 June 2021	2
Options exercisable at \$0.10 on or before 28 June 2021	30
Performance Rights	3

Distribution of Holders of Equity Securities

The distribution of holders of equity securities on issue in the Company as at the Reporting Date is as follows:

Distribution of ordinary shareholders

Holdings Ranges	Holders	Total Units	%
1 – 1,000	339	31,646	0.004
1,001 – 5,000	65	233,779	0.033

5,001 – 10,000	103	857,028	0.120
10,001 – 100,000	567	25,929,178	3.632
100,001 and above	561	686,832,933	96.211
Totals	1,635	713,884,564	100.00

Distribution of holders of options exercisable by 20 November 2020 at \$0.0585

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	2	5,000,000	100.00
Totals	2	5,000,000	100.00

Distribution of holders of options exercisable by 28 June 2021 at \$0.075 each

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	2	10,000,000	100.00
Totals	2	10,000,000	100.00

Distribution of holders of options exercisable by 28 June 2021 at \$0.10 each

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	3	300,000	2.24
100,001 and above	27	13,105,000	97.76
Totals	30	13,405,000	100.00

Distribution of performance rights holders

Holdings Ranges	Holders	Total Units	%
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 and above	3	10,511,180	100.00
Totals	3	10,511,180	100.00

Less than Marketable Parcels of Ordinary Shares

The number of holders of less than a marketable parcel of ordinary shares based on the closing market price at the Reporting Date is as follows:

Total Securities	UMP Shares	UMP Holders	% of issued shares held by UMP holders
713,884,564	3,029,300	639	0.42

Twenty Largest Shareholders

The Company only has one class of quoted securities, being ordinary shares. The names of the 20 largest holders of ordinary shares, and the number of ordinary shares and percentage of capital held by each holder is as follows:

Holder Name	Balance as at Reporting Date	% of total shares on issue
Barrijag Pty Ltd <The Hadley Super Fund A/C>	63,202,474	8.85
Serec Pty Ltd <Angus Edgar Family A/C>	48,000,000	6.72
Invia Custodian Pty Limited <Andrew William Blackman A/C>	23,922,095	3.35
Armco Barriers Pty Ltd	18,690,000	2.62
Furneaux Management Pty Ltd	17,052,381	2.39
Bnp Paribas Nominees Pty Ltd <Ib Au Noms Retailclient Drp>	12,260,611	1.72
Kabila Investments Pty Limited	11,917,301	1.67
Mr Boris Duka & Mrs Elizabeth Ann Duka	10,000,000	1.40
Ms Linda Louise Hutchison	10,000,000	1.40
Mr Andrew William Blackman	9,077,905	1.27
Elysian Islands Pty Ltd <Elysian Islands S/F A/C>	9,000,000	1.26
Hixon Pty Ltd	8,185,857	1.15
Cove Street Pty Ltd <The Cove Street A/C>	7,004,389	0.98
Sixth Erra Pty Ltd <Staff Super Fund A/C>	6,816,188	0.96
Flatman Super Pty Ltd <Flatman Super Fund A/C>	5,455,000	0.76
Sixth Erra Pty Ltd <The I Collie Family A/C>	5,388,731	0.76
Mr Mark Kerr & Mrs Linda Kerr <Lindmark Inv Staff S/F A/C>	5,245,000	0.73
Ms Jodie Monique O'Brien	5,042,657	0.71
Mungala Investments Pty Limited	5,000,000	0.70
Mrs Anna Elisabeth Keller	4,850,000	0.68
Total number of shares of Top 20 Holders	286,110,589	40.08
Total remaining holders balance	427,773,975	59.92

Unquoted Equity Securities

The number of each class of unquoted equity securities on issue, and the number of their holders, are as follows:

Class of Equity Securities	Number of unquoted Equity Securities	Number of holders
Options exercisable at \$0.0585 on or before 20 November 2020	5,000,000	2
Options exercisable at \$0.075 on or before 28 June 2021	10,000,000	2
Options exercisable at \$0.10 on or before 28 June 2021	13,405,000	30
Performance Rights	10,511,180	3

The names of the holders of 20% or more of the equity securities in an unquoted class and the number of equity securities held by each of these holders (other than in the case of securities issued or acquired under an employee incentive scheme) are as follows:

Holder Name	Class of unquoted Equity Securities	Number of unquoted Equity Securities held	% of total unquoted Equity Securities in the relevant class
Foster Stockbroking Nominees Pty Ltd <no 1 account>	Options exercisable at \$0.0585 on or before 20 November 2020	4,444,444	88.89
Serec Pty Ltd	Options exercisable at \$0.075 on or before 28 June 2021	8,000,000	80.00

Voting Rights of Equity Securities

The only class of equity securities on issue in the Company which carry voting rights are ordinary shares.

As at the Reporting Date, there were 1,635 holders of a total of 713,884,564 ordinary shares of the Company.

At a general meeting of the Company, every holder of ordinary shares is entitled to vote in person or by proxy or attorney; and on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share he holds.

Voluntary Escrow

There are no securities on issue in KNeoMedia that are subject to voluntary escrow.

Stock Exchange Listing

KNeoMedia's ordinary shares are quoted on the Australian Securities Exchange (ASX issuer code: KNM).

On-market Buyback

The Company is not currently conducting an on-market buy-back.

Issues of Securities

There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act which have not yet been completed.

On-market Purchase of Securities under Employee Incentive Scheme

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme; or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

Company Secretary

The Company's secretary is Ms Sophie Karzis.

Registered Office

The address and telephone number of the Company's registered office are:

Level 7, 411 Collins Street
Melbourne VIC 3000

Telephone: +61 (0)3 9492 9200

Share Registry

The address and telephone number of the Company's share registry, Boardroom Pty Limited, are:

Street Address:

Boardroom Pty Limited
Level 12, 225 George Street
Sydney New South Wales 2000

Telephone: (02) 9290 9600