CONNECTED IO LIMITED
AND ITS CONTROLLED ENTITIES
ABN 99 009 076 233

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018

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CORPORATE INFORMATION

Directors

Mr Jason Ferris *(Executive Chairman)*

Mr Yakov Temov *(Managing Director and Chief Executive Officer)*

Mr Blaise Thomas *(Non-Executive Director)*

Company Secretary

Ms Nicki Farley

Registered and Principal Office

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PERTH WA 6000

Auditors

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Price Sierakowski Corporate
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Bankers

National Australia Bank
100 St Georges Terrace
PERTH WA 6000

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1257 – 1261 Hay Street
WEST PERTH WA 6005

Stock Exchange Listing

Connected IO Limited
is listed on the Australian Securities Exchange.
ASX Code: CIO

Contact Information

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Fax: 08 9218 8875

Web Sites

www.connectedio.com and www.connectedio.com.au

DIRECTORS' REPORT

The directors of Connected IO Limited ("the Company" or "CIO") and its controlled entities ("the Group") submit herewith the financial statements of the Group for the financial year ended 30 June 2018.

These financial statements cover the period from 1 July 2017 to 30 June 2018. In order to comply with the provision of the Corporations Act 2001, the directors' report is as follows:

Directors
The names and particulars of the directors of the Company during or since the end of the financial year are:

Mr Jason Ferris	**Non-Executive Director (appointed 28 April 2015) and became Executive Chairman on 18 January 2016** Mr Ferris is an experienced financial services professional having worked in financial services, property and corporate finance industries for more than 25 years. Mr Ferris is an experienced company director having served on the board of public and private companies in Australia, South Africa and United Kingdom. He is a Fellow of the Australian Institute of Management (FAIM) and is a Member of the Australian Institute of Company Directors (MAICD). He has also facilitated many joint venture opportunities in both property, tech and mining sectors.
Interest in Shares	Nil.
Interest in Options	Nil.
Directorships held in other listed entities	During the past three years Mr Ferris has served as a Director of the following other listed companies: (a) Titanium Sands Limited – appointed 31 July 2014; and (b) Diploma Group Limited – Resigned 9 December 2016.
Mr Yakov Temov	**Managing Director and Chief Executive Officer (appointed 18 January 2016)** Mr Temov specialises in product development and executive leadership, with a long and consistent track record of successfully delivering innovative products on time and under budget, fast yet high quality roadmap evolutions, and building and growing world-class engineering teams. Most recently, Mr Temov was CEO and Founder of White Label Corporation. Prior to that, Mr Temov was VP of Engineering at U4EA Technologies, Inc. (acquired by Gos Networks, Ltd.) where he was responsible for all product design, engineering, and testing.
Interest in Shares	Mr Temov holds 46,000,000 ordinary shares, 34,550,000 Class A performance shares and 17,275,000 Class B performance shares directly in the Company.
Interest in Options	Nil.
Directorships held in other listed entities	During the past three years Mr Temov has not held directorship of any other listed companies.

DIRECTORS' REPORT

Mr Blaise Thomas -	**Non-Executive Director (appointed 28 April 2015)** Mr Thomas has over 25 years' experience in building and managing businesses in Australia and the UK and has held executive level positions in private and publicly listed companies. His corporate experience has been within Resources, Engineering, Technology and Banking & Financial Services industries. With expertise across business and market development, contract management, operations, strategy, finance and people management. Mr Thomas has advised a number of early-stage businesses on sales & marketing strategies, leadership structure, commercial partnerships and investor relations.
Interest in Shares	Nil.
Interest in Options	Nil.
Directorships held in-other listed entities	During the past three years Mr Thomas has not held directorship of any other listed companies.

Company Secretary

Ms Nicki Farley	**Company Secretary (appointed 21 December 2015)** Ms Farley has over 10 years' experience working within the legal and corporate advisory sector providing advice in relation to capital raisings, corporate and securities laws, mergers and acquisitions and general commercial transactions. Ms Farley also holds a number of company secretarial roles for ASX listed companies. Ms Farley holds a Bachelor of Laws and Arts from the University of Western Australia.

Principal activities
The Group is focused on sales and marketing of the Group's products and further product development.

Operating and Financial Review
The net loss for the year ended 30 June 2018 was $4,922,329 compared with a net loss of $7,096,906 for the previous year. The Company had a net asset position as at 30 June 2018 of $637,062 (2017: $3,030,193).

Dividends
No amounts have been paid or declared by way of dividend by the Group since the end of the previous financial year and the Directors do not recommend the payment of any dividend.

Review of operations
During the year, the Company has maintained strong relationships in the US IoT sector and continues to build and drive business momentum. Product developments and improvements have allowed CIO to become a preferred source of M2M communication in the North American market with hands on and inclusive design and technical expertise.

Company revenues from ordinary activities remained consistent at $1,669,943 for FY18 (2017: $1,683,616) with inventory decreasing to $839,998 for FY18 (2017: $1,070,072) providing a solid platform for future sales to US cellular carriers and customers.

Overhead costs have been reduced dramatically in both the USA and Australia, and renegotiated manufacturing terms have delivered further significant savings to the Company.

During the year CIO partnered with US Drone company Airship Technologies Group to provide wireless communication solutions. This opportunity has not developed any further at this stage however CIO expects to continue to work with Airship on developing opportunities.

DIRECTORS' REPORT

CIO has deployed product to over 3,000 fast food stores throughout North America and continues to work closely with the supplier.

CIO also developed its relationship with a worldwide vehicle market supplier in the $8.8b security space. This opportunity continues to develop.

The Company also received strong pre-sale orders from Exadigm USA for the company's Wi-Fi routers. First shipment to Exadigm commenced in 2018, and is expected to continue to develop in FY19.

CIO received fail-over certification from Cisco-Meraki for Verizon, AT&T, Telstra and Vodafone client. This certification provides CIO with significant growth opportunities.

CIO also announced penetration into the Asian market via discussions with Thai and Philippines military. Connected IO continues to explore the opportunities to determine feasibility of addressing the Asian markets.

The Company also received its first order from electronics giant LG.

CIO was selected as global hardware partner for KORE allowing KORE sales staff in North America and Australia to promote and sell CIO products and solutions. This relationship continues to develop and there are currently numerous trials underway.

Expansion into Australia was confirmed with the signing of the Australian and New Zealand distribution agreement with M2M Connectivity . First shipment of product to Australia commenced in May 2018 which has led to product trials in the regions ahead of a potential roll out using M2M's existing relationships with some of the largest telecommunications and electronics companies in Australia.

Significant changes in the state of affairs
There have been no significant changes in the state of affairs of the Group to the date of this report other than as set out in this report.

Directors' meetings
The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director).

	Board of Directors	
Directors	**Eligible to Attend**	**Attended**
Mr Jason Ferris	5	5
Mr Yakov Temov	5	5
Mr Blaise Thomas	5	5

The Board of Directors also approved eight (8) circular resolution during the year ended 30 June 2018 which were signed by all Directors of the Company. The audit, compliance and corporate governance committee functions are performed by the Board of Directors.

Interests in the shares, options and convertible notes of the Company and related bodies corporate
The following relevant interests in shares and options of the Company or a related body corporate were held by the Directors as at the date of this report.

Directors	Fully paid ordinary shares Number	Performance shares Number
Mr Jason Ferris	-	-
Mr Yakov Temov	46,000,000	51,825,000[1]
Mr Blaise Thomas	-	-

[1] 34,550,000 Class A Performance Shares and 17,275,000 Class B Performance Shares were issued to Mr Temov as part of the consideration under the Vendor Offer for the acquisition of the Connected Group.

Share options granted to Directors
During the financial year, no options have been granted to Directors (30 June 2017: nil).

Unissued shares under option
As at the date of this report there are no unissued shares under option.

Shares issued during or since the end of the year as a result of exercise
As at the date of this report no share have been issued during or since the end of year as a result of exercise.

Subsequent events
On 22 August 2018 the Company announced that it had undertaken a review of its operations and current business structures and has resolved to make a number of strategic changes to improve the position of the Company for future growth.

The Company confirmed it was undertaking a capital raising totalling $2,530,000 to provide capital to secure future revenue growth and manufacturing capacity required to meet larger purchase orders. The Capital Raising comprised the following:

(i) Placement - On 4 September 2018 the Company announced it had completed a Placement raising $399,562 from sophisticated and professional investors. 133,187,333 shares were issued at $0.003 per share.

(ii) Non-Renounceable Rights Issue – On 24 August 2018 the Company issued a Prospectus for a non-renounceable, pro-rata entitlement offer (Entitlement Offer) made on the basis of four (4) shares for every five (5) shares held on the Record Date at an issue price of $0.003 per share to raise approximately $2.13m (before costs). The Entitlement Offer was fully underwritten by 708 Capital Pty Ltd and closed on 21 September 2018. On 26 September 2018 the Company advised that it had received applications for a total of 131,594,009 shares with the total subscription amount received being $394,782. The 578,738,659 Shortfall Shares are to be placed with the Underwriter, 708 Capital Pty Ltd pursuant to the terms of the Underwriting Agreement.

As announced on 22 August 2018, the Company successfully re-negotiated its existing secured $1,370,000 Loan Facility with Gorilla Pty Ltd, which has been extended to 30 June 2019. The parties have also agreed to convert the Loan Facility and accrued interest to 30 June 2018 to convertible notes (convertible at $0.003) subject to shareholder approval. In addition, the Directors have agreed to receive payment of outstanding director's fees totalling $140,000 in Shares at an issue price of $0.003 per Share, subject to Shareholder Approval. In addition, the Board confirmed a number of cost reductions are to be made from its operations including reducing director fees and executive fees by 50%.

Future developments
The Group will continue to develop, sell and market the Connected Group's products.

Environmental issues
The Group's operations are not subject to significant environmental regulations under the law of the Commonwealth or of a State or Territory.

Indemnification of officers and auditors
The Group has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Remuneration Report (Audited)
This report outlines the remuneration arrangements in place for the key management personnel of Connected IO Limited (the "Company") for the financial year ended 30 June 2018. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

The board policy is to remunerate non-executive directors at a level which provides the company with the ability to attract and retain directors with the experience and qualification appropriate to the development strategy of the Company. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at a General Meeting. The current maximum amount of remuneration that may be paid to all non-executive Directors has been set at $500,000 per annum at the Company's General Meeting held on 14 March 2014. There is no link between remuneration and performance of the Group.

Directors' fees are reviewed annually. During the period, the non-executive director fees were $60,000 per annum. Non-executive director fees are not linked to the performance of the company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

During the financial year, the Group did not employ the use of remuneration consultants.

Key Management Personnel
The Key Management Personnel of the Group are considered to be the directors of the Company.

The following table discloses the contractual arrangements with the Group's Key Management Personnel that were in place as at 30 June 2018.

Component	Executive Chairman – Mr Jason Ferris
Fixed remuneration	$240,000
Contract duration	2 years commencing on 1 July 2017.
Termination notice by the individual/company	12 months.
Other entitlements	Annual leave plus superannuation.

Component	Managing Director and Chief Executive Officer – Mr Yakov Temov
Fixed remuneration	USD225,000
Contract duration	2 years commencing on 1 July 2017.
Termination notice by the individual/company	12 months.
Other entitlements	Annual leave.

DIRECTORS' REPORT

Relationship between the remuneration policy and company performance
Aside from the matters described above, no Director held or holds any contract for performance-based remuneration with the Company.

Remuneration expense details for the year ended 30 June 2018
The directors were paid the following amounts as compensation for their services as key management personnel of the Group during the year:

2018	Short-term employee benefits			Post employment benefits	Share-based payment		
	Salary & fees $	Bonus $	Other $	Superannuation $	Options & rights $	Total $	Performance based remuneration %
Directors							
Jason Ferris [1]	260,000	-	-	22,800	-	**282,800**	-
Yakov Temov [2]	298,105	-	-	-	-	**298,105**	-
Blaise Thomas [3]	60,000	-	-	-	-	**60,000**	-
Total	**618,105**	**-**	**-**	**22,800**	**-**	**640,905**	**-**

[1] Mr Ferris's executive fees were paid directly to himself.
[2] Mr Temov's executive fees were paid to himself.
[3] Mr Thomas's director fees were paid to International Island Group Pty Ltd, a company of which he is a Director and Shareholder.

2017	Short-term employee benefits			Post employment benefits	Share-based payment		
	Salary & fees $	Bonus $	Other $	Superannuation $	Options & rights $	Total $	Performance based remuneration %
Directors							
Jason Ferris	120,000	-	-	11,400	-	**131,400**	-
Yakov Temov	202,222	-	-	-	-	**202,222**	-
Blaise Thomas	60,000	-	-	-	-	**60,000**	-
Eric de Mori	43,850	-	-	-	-	**43,850**	-
Total	**426,072**	**-**	**-**	**11,400**	**-**	**437,472**	**-**

Securities received that are not performance-related
No members of key management personnel are entitled to receive securities that are not performance-based as part of their remuneration package.

Options
No options were granted as equity compensation benefits to key management personnel during the years ended 30 June 2018 or 30 June 2017.

Key Management Personnel shareholdings
The number of ordinary shares in Connected IO Limited held by each key management personnel of the Group during the financial year is as follows:

Ordinary Shares 2018	Balance at 1 July 2017 or on date of appointment	Granted as remuneration during the year	Issued on exercise of options during the year	Net other changes during the year	Balance at 30 June 2018 or on date of resignation
Jason Ferris	-	-	-	-	-
Yakov Temov	46,000,000	-	-	-	46,000,000
Blaise Thomas	-	-	-	-	-

The number of performance shares in Connected IO Limited held by each key management personnel of the Group during the financial year is as follows:

Performance Shares 2018	Balance at 1 July 2017 or on date of appointment	Granted as remuneration during the year	Issued on exercise of options during the year	Net other changes during the year	Balance at 30 June 2018 or on date of resignation
Jason Ferris	-	-	-	-	-
Yakov Temov[1]	51,825,000	-	-	-	51,825,000
Blaise Thomas	-	-	-	-	-

[1] 34,550,000 Class A Performance Shares and 17,275,000 Class B Performance Shares were issued to Mr Temov as part of the consideration under the Vendor Offer for the acquisition of the Connected Group.

Other equity-related key management personnel transactions
There have been no other transactions involving equity instruments apart from those describe in the table above relating to options, rights and shareholdings.

Other transactions with Key Management Personnel and/for their related parties
A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The amounts outstanding and accrued for key management personnel are as follows: Yakov Temov $50,369 (2017: $30,149), Jason Ferris $17,693 (2017: $5,475) in relation to remuneration owing.

Reimbursements
During the year, $7,430 was paid to Mr Ferris in relation to reimbursements (2017: $45,612). Mr Thomas was paid $nil in relation to reimbursements (2017: $254).

End of audited Remuneration Report (Audited)

Voting and comments made at the Company's 2017 Annual General Meeting
The Company received more than 95% of votes, of those shareholders who exercised their right to vote, in favour of the remuneration report for the 2017 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Proceedings on behalf of the Company

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

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

Non-audit services

During the year $2,750 was paid to the auditor for the provision of non-audit services (2017: nil).

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 19 to the financial statements. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the impartiality and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of *Ethics for Professional Accountants* issued by the Accounting Professional & Ethical Standards Board.

Auditor's independence declaration

The auditor's independence declaration is included on page 10 of the annual report.

Signed in accordance with a resolution of the directors

Yakov Temov
Director

Los Gatos, California
28 September 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Connected IO Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
28 September 2018

B G McVeigh
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Sales revenue	6	1,674,906	1,694,111
Cost of goods sold		(1,824,552)	(1,350,327)
Gross profit		(149,646)	343,784
Debts forgiven	5	-	250,638
Director fees, salary and wages expense		(3,310,829)	(1,896,447)
Professional fees		(370,740)	(1,296,503)
Depreciation expense		(33,229)	(33,724)
Administration expense		(1,004,441)	(1,122,642)
Interest and facility fee expenses		(152,111)	-
Impairment of goodwill		-	(2,703,574)
Impairment of plant and equipment		-	(35,750)
Loss before tax		**(5,020,996)**	**(6,494,218)**
Income tax expense	7	-	-
Loss for the year from continuing operations		**(5,020,996)**	**(6,494,218)**
Profit/(Loss) after tax from discontinued operation	25	98,667	(602,688)
Loss for the year		**(4,922,329)**	**(7,096,906)**
Other comprehensive income for the year, net of tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign balances		(42,679)	470,737
Items that will not be reclassified to profit or loss			
Recognition of translated foreign exchange balances on deconsolidation	25	(94,797)	-
Total comprehensive loss for the year		**(5,059,805)**	**(6,626,169)**
Earnings per share for loss attributable to the ordinary equity holders of the company			
		Cents	Cents
Basic and diluted loss per share from continuing operations	16	(0.58)	(0.84)
Basic and diluted loss per share from continuing and discontinued operations	16	(0.57)	(0.92)

The accompanying notes form an integral part of this consolidated statement of profit or loss and other comprehensive income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Current assets			
Cash and cash equivalents	8	69,707	639,457
Trade and other receivables	9	155,286	294,745
Inventory	10	839,998	1,070,072
Total current assets		1,064,991	2,004,274
Non-current assets			
Other assets		14,528	14,142
Goodwill	3	2,418,610	2,418,610
Other intangibles	4	-	-
Plant and equipment	11	21,591	54,547
Total non-current assets		2,454,729	2,487,299
Total Assets		**3,519,720**	**4,491,573**
Current Liabilities			
Trade and other payables	12	1,512,658	961,380
Borrowings	13	1,370,000	500,000
Total current liabilities		2,882,658	1,461,380
Total Liabilities		**2,882,658**	**1,461,380**
Net assets		**637,062**	**3,030,193**
Equity			
Issued capital	14	66,345,419	63,678,745
Reserves	15	1,082,004	1,219,480
Accumulated losses		(66,790,361)	(61,868,032)
Total Equity		**637,062**	**3,030,193**

The accompanying notes form an integral part of this consolidated statement of financial position.

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

Consolidated	Issued Capital $	Share-Based Payments Reserve $	Foreign Currency Translation Reserve $	Accumulated Losses $	Total $
Balance at 1 July 2016	60,893,961	968,849	(220,106)	(54,771,126)	6,871,578
Net loss for the year	-	-	-	(7,096,906)	(7,096,906)
Other comprehensive income for the year	-	-	470,737	-	470,737
Total comprehensive loss	-	-	470,737	(7,096,906)	(6,626,169)
Shares issued	3,078,000	-	-	-	3,078,000
Share issue costs	(293,216)	-	-	-	(293,216)
Balance at 30 June 2017	63,678,745	968,849	250,631	(61,868,032)	3,030,193
Balance at 1 July 2017	63,678,745	968,849	250,631	(61,868,032)	3,030,193
Net loss for the year	-	-	-	(4,922,329)	(4,922,329)
Other comprehensive loss for the year	-	-	(137,476)	-	(137,476)
Total comprehensive loss	-	-	(137,476)	(4,922,329)	(5,059,805)
Shares issued	2,850,000	-	-	-	2,850,000
Share issue costs	(183,326)	-	-	-	(183,326)
Balance at 30 June 2018	66,345,419	968,849	113,155	(66,790,361)	637,062

The accompanying notes form an integral part of this consolidated statement of changes in equity.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Cash flows from operating activities			
Receipts from customers		1,848,241	1,757,603
Payments to suppliers and employees		(5,960,616)	(5,700,612)
Interest received		3,454	10,495
Finance costs		-	(1,318)
Net cash used in operating activities	17	(4,108,921)	(3,933,832)
Cash flows from investing activities			
Payments for plant and equipment		-	(7,313)
Net cash used in investing activities		-	(7,313)
Cash flows from financing activities			
Proceeds from issue of shares		2,850,000	3,000,000
Payments for share issue costs		(183,326)	(215,216)
Proceeds from borrowings		920,000	500,000
Repayment of borrowings		(50,000)	-
Net cash provided by financing activities		3,536,674	3,284,784
Net change in cash and cash equivalents held		(572,247)	(656,361)
Cash and cash equivalents at beginning of the financial year		639,457	1,295,818
Effect of exchange rate fluctuation on cash held		2,497	-
Cash and cash equivalents at end of financial year	8	69,707	639,457

The accompanying notes form an integral part of this consolidated statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation
The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations and complies with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the Group consisting of Connected IO Limited and its controlled entities. For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

The financial report has been prepared on an accruals basis and is based on historical costs.

The financial report is presented in Australian dollars.

Connected IO Limited is incorporated in Australia and its shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are marketing and product development.

(b) Adoption of new and revised standards
(i) Standards and Interpretations applicable to 30 June 2018
In the year ended 30 June 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the company and effective for the current annual reporting period. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and, therefore, no material change is necessary to Group accounting policies.

(ii) Standards and Interpretations in issue not yet adopted
The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2018. As a result of this review the Directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Group and, therefore, no change is necessary to Group accounting policies.

(c) Statement of Compliance
The financial report was authorised for issue on 28 September 2018.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Going Concern
The 30 June 2018 financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business. For the year ended 30 June 2018 the Group incurred an operating loss of $4,922,329 (2017 net loss: ($7,096,906) and a net cash outflow from operating activities amounting to $4,108,921 (30 June 2017: $3,933,832).

The Company has a loan facility of $1,500,000 with repayment extended to 30 June 2019 either in cash, ordinary shares or a combination of both cash and ordinary shares.

Based on the Group's cash flow forecast it is likely that the Group will need to access additional working capital in the next 12 months to advance its activities and to ensure the realisation of assets on an orderly basis and the extinguishment of liabilities as and when they fall due.

The directors are confident that the Group will be successful in obtaining additional loan financing or the raising additional funds through the issue of new equity, should the need arise. The directors are also aware

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

that the Group has the option, if necessary, to reduce administration costs in order to minimise its capital raising requirements.

Based on these facts, the Directors consider the going concern basis of preparation to be appropriate for this financial report. Should the Group be unsuccessful in obtaining additional loan financing or raising additional funds through the issue of new equity, there is a material uncertainty which may cast significant doubt whether the entity will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustments relative to the recoverability and classification of recorded asset amounts or, to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

(e) Basis of consolidation

The consolidated financial statements comprise of the financial statements of Connected IO Limited ("the Company") and its controlled entities ("the Group") as at 30 June 2018.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any no-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group has directly disposed of the relevant assets (i.e. reclassified to profit or loss of transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 'Financial Instruments: recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(f) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Sale of goods

Revenue is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Contract income is recognised by reference to the total actual costs incurred at the end of the reporting period relative to the proportion of the total costs expected to be incurred over the life of the contract;
- Servicing fees are recognised by reference to the proportion of the total cost of providing the service for the product sold; and
- Revenue from time and material contracts are recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Interest income

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(g) Borrowing costs

Borrowing costs are capitalised that are directly attributable to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(h) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts.

(i) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

payments to the Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

(j) Impairment of financial assets

The Group assesses at each balance date whether a financial asset or Group of financial assets is impaired.

(i) Financial assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.
The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a Group of financial assets with similar credit risk characteristics and that Group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost
If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed in subsequent periods.

(iii) Available-for-sale investments
If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the Statement of Comprehensive Income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(k) Foreign currency translation
Both the functional and presentation currency of the Company and its controlled entities in these Financial Statements is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance date and their statements of comprehensive income are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(l) Income Tax

The income tax expense or benefit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(m) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(n) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- Raw materials – purchase cost on a first-in, first-out basis; and
- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(o) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a diminishing value basis over the estimated useful life of the assets as follows:
Plant and equipment – over 3 to 50 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the Statement of Comprehensive Income in the cost of sales line item.

(ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(p) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with AASB 8 Operating Segments.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(q) Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in these accounting estimates being accounted for on a prospective basis.

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

(r) Financial assets
Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss
Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) Available-for-sale investments
Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(iv) Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(s) Derecognition of financial assets and financial liabilities
(i) Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:
- has transferred substantially all the risks and rewards of the asset, or
- has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such as an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(t) Interest-bearing loans and borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholder's equity, net of income tax effects.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(u) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Group's obligation.

(v) Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Liabilities accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave not expected to be settled within 12 months of the balance date are recognised in non-current other

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

payables in respect of employees' services up to the balance date. They are measured as the present value of the estimated future outflows to be made by the Group.

Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the balance date. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the balance date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(w) Impairment of assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(x) Impairment of tangible and intangible assets other than goodwill
The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(y) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(z) Share-based payment transactions

Equity settled transactions:

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

When provided, the cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Connected IO Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Statement of Comprehensive Income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 16).

(aa) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(bb) Segment reporting

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

(cc) Parent entity financial information

The financial information for the parent entity, Connected IO Limited, disclosed in Note 24 has been prepared on the same basis as the consolidated financial statements, except as set out below.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

Share-based payments

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(dd) Earnings/loss per share

Basic earnings/loss per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings/loss per share is calculated as net profit/loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

NOTES TO THE FINANCIAL STATEMENTS

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(ee) Critical Accounting Estimates and Judgments

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it effects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of intangibles with indefinite useful lives and goodwill
The Group determines whether intangibles with indefinite useful lives and goodwill and impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

2 INVESTMENTS

The consolidated financial statements include financial statements of Connected IO Limited and the following subsidiaries:

Name	*Country of Incorporation*	*% Equity Interest 2018*	*% Equity Interest 2017*
Connected IO, Inc	Delaware, USA	100%	100%
ICU Wireless Systems Limited[1]	Mauritius	0%	100%
G8 International Connect, Inc[1]	Delaware, USA	0%	100%

Connected IO Limited is the ultimate Australian parent entity and ultimate parent of the Group.

Balances between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note.

[1] Following a scheme of amalgamation following the approval by a Certificate of Merger, ICU Wireless Systems Limited, incorporated in Mauritius was ultimately merged into Connected IO, Inc, incorporated in the United States of America.

ICU Wireless Systems was merged into Connected IO, Inc and reported in the financial statements for the year ended 30 June 2018 as a discontinued operation.

3 GOODWILL

	Consolidated 2018 $	Consolidated 2017 $
Opening Balance	2,418,610	5,122,184
Impairment	-	(2,703,574)
Closing Balance	**2,418,610**	**2,418,610**

Goodwill represents acquisitions through business combinations.

During the year ended 30 June 2018, management have conducted an impairment assessment in relation to goodwill. The recoverable amount was based on a net present value calculation and was determined at the cash-generating unit level (Connected IO, Inc CGU).

The pre-tax discount rate adopted was 9.6% and the net present value calculation was based upon forecast cash flows over a five year period.

The five year forecast used as the basis for the value-in-use model was based on budget and forecast assumptions as approved by the Board of Directors. The assumptions are considered reasonable and supportable and were derived with due consideration to actual Connected IO, Inc CGU performance indicators and existing revenue streams.

Based upon the net present value calculation, no impairment has been recognised.

In the prior financial year a full impairment of $2,703,574 was recognised in relation to the ICU Wireless Limited CGU.

4 OTHER INTANGIBLES

	Consolidated 2018 $	Consolidated 2017 $
Opening Balance	-	606,205
Foreign exchange movement	-	19,838
Written off as no longer utilised	-	(626,043)
Closing Balance	-	-

5 DEBTS FORGIVEN

Prior to the acquisition of the Connected Group and pursuant to signed deeds of agreement, an amount of $250,638 was forgiven by several creditors. Current year debts forgiven were $nil.

6 REVENUE

	Consolidated 2018 $	Consolidated 2017 $
Sale of goods	1,669,943	1,683,616
Interest received	4,963	10,495
	1,674,906	**1,694,111**

NOTES TO THE FINANCIAL STATEMENTS

7 INCOME TAX

	Consolidated 2018 $	Consolidated 2017 $
(a) Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense	-	-
Deferred tax expense	-	-
Total tax expense relating to continuing operations	-	-
The prima face income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:		
Loss from continuing operations	(5,020,966)	(6,494,218)
Income tax benefit calculated at 27.5%	(1,380,766)	(1,785,910)
Add/(Less):		
- Non deductible items	(888,780)	779,456
- Unused tax losses and tax offset not recognised as deferred tax assets	2,039,369	413,019
- Other deferred tax assets and tax liabilities not recognised	(1,570)	35,219
- Difference in tax rate of subsidiaries	231,747	(323,853)
- Change in tax rate	-	882,069
Income Tax Expense	-	-

(b) Unrecognised deferred tax balances

The following deferred tax assets and liabilities have not been brought to account:

Deferred tax assets comprise:		
Accrued expenses and liabilities	42,273	55,014
Share issue expenses	137,090	135,598
Depreciation timing differences	13,143	13,177
Losses available for offset against future taxable income – revenue	2,935,592	1,787,461
Losses available for offset against future taxable income - capital	890,741	-
Total deferred tax assets	4,018,839	1,991,250
	-	-
Deferred tax liabilities comprise:		
Prepayments	-	4,019
Total deferred tax liabilities	-	4,019

Deferred tax assets have not been recognised in respect of the above items because it is not considered probable that future taxable profit will be available against which the Group can utilise the benefits thereof.
Deferred tax liabilities have not been recognised in respect of these taxable temporary differences as the entity is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

(c) Income tax expense not recognised direct in equity during the year:

Share issue costs	50,415	59,184
	50,415	59,184

8 CASH AND CASH EQUIVALENTS

	Consolidated 2018 $	Consolidated 2017 $
Cash at bank	69,707	639,457
Closing Balance	**69,707**	**639,457**

9 TRADE AND OTHER RECEIVABLES

	Consolidated 2018 $	Consolidated 2017 $
Current		
Trade receivables	107,284	384,747
Allowance for doubtful debts	-	(99,165)
Other receivables	48,002	9,163
Closing Balance	**155,286**	**294,745**

(i) the average credit period on sales of goods and rendering of services is 30 days.

(ii) An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience.

Aging of past due but not impaired
In determining the recoverability of a trade receivable, the Group considers any changes in the credit quality of the trade receivable from the date credit was initially granted up to the balance date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for impairment.

10 INVENTORY

	Consolidated 2018 $	Consolidated 2017 $
Finished goods – at cost	839,998	1,070,072
Closing Balance	**839,998**	**1,070,072**

11 PLANT AND EQUIPMENT

	Consolidated 2018 $	Consolidated 2017 $
Opening Balance	54,547	42,829
Additions	-	81,386
Impairment	-	(35,750)
Depreciation	(33,229)	(33,724)
Foreign exchange movement	273	(194)
Closing Balance	**21,591**	**54,547**

12 TRADE AND OTHER PAYABLES

	Consolidated 2018 $	Consolidated 2017 $
Current		
Payables	1,252,115	842,822
Other payables	140,349	63,188
Accruals	120,194	55,370
Closing Balance	**1,512,658**	**961,380**

The net carrying value of trade payables and accruals is considered a reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS

13 BORROWINGS

	Consolidated 2018 $	Consolidated 2017 $
Current		
Opening Balance	500,000	-
Repayments	(50,000)	-
Advances	920,000	500,000
Closing Balance	**1,370,000**	**500,000**

During the year ended 30 June 2017 the Company entered into a loan agreement to be advanced funds of up to $1,500,000. The loan is for working capital purposes and any repayment of the loan is to be made in cash unless the lender elects at its sole discretion for repayment to be made in shares in the Company or a combination of both.

The last repayment date is six months from the initial drawdown of the loan, being 31 December 2017 and the interest rate is 9% per annum. On 30 January 2018 the repayment date was extended to 30 June 2018. Subsequent to year end the repayment date was extended to 30 June 2019.

The lender is entitled to and has secured the loan by the registration of a charge over the assets of the Company which has been subordinated to the Prior Existing Security. The Prior Existing Security is a security interest registered (or to be registered) by the National Bank Australia relating to a maximum $1,000,000 loan facility.

14 ISSUED CAPITAL

	Consolidated 2018 $	Consolidated 2017 $
Issued and paid up capital		
Ordinary shares fully paid (a)	66,345,419	63,678,745
	66,345,419	**63,678,745**

Movements in issued and paid up capital

	Number	Consolidated $
(a) Ordinary shares fully paid		
Balance as at 1 July 2016	689,916,052	60,893,961
Shares issued pursuant to a Placement – 30 August 2016[1]	100,000,000	3,000,000
Shares issued to a corporate advisory mandate – 11 April 2017[2]	3,000,000	78,000
Costs directly attributable to issue of share capital	-	(293,216)
Balance as at 30 June 2017	**792,916,052**	**63,678,745**
Balance as at 1 July 2017	792,916,052	63,678,745
Shares issued pursuant to a Placement – 12 October 2017[3]	95,000,000	2,850,000
Costs directly attributable to issue of share capital	-	(183,326)
Balance as at 30 June 2018	**887,916,052**	**66,345,419**

[1] On 30 August 2016, the Company issued 100,000,000 fully paid ordinary shares at $0.03 raising $3,000,000 from institutional and sophisticated investors.
[2] On 11 April 2017, the Company issued 3,000,000 fully paid ordinary shares in consideration for corporate services pursuant to a corporate advisory mandate.
[3] On 12 October 2017, the Company issued 95,000,000 fully paid ordinary at $0.03 raising $2,850,000 from sophisticated investors.

NOTES TO THE FINANCIAL STATEMENTS

14 ISSUED CAPITAL (CONT'D)

	Number	Consolidated $
(b) Performance Shares		
Balance as at 1 July 2016	150,000,000	-
Movements during the year	-	-
Balance as at 30 June 2017	**150,000,000**	**-**
Balance as at 1 July 2017	150,000,000	-
Movements during the year	-	-
Balance as at 30 June 2018	**150,000,000**	**-**

Each of the 100,000,000 Class A Performance Shares and 50,000,000 Class B Performance Shares will convert to one (1) fully paid ordinary share upon satisfaction of the relevant Milestone. Accordingly, the Class A Performance Milestone will be achieved if the Company and its subsidiaries achieve aggregated gross revenue of $15,000,000 in any of the financial years ending on 31 December 2017 or 2018, following re-compliance with Chapters 1 and 2 of the Listing Rules. The Class B Performance Milestone will be achieved if the Company and its subsidiaries achieve aggregated gross revenue of $25,000,000 in any of the financial years ending on 31 December 2017 or 2018, following re-compliance with Chapters 1 and 2 of the Listing Rules. No value has been attributed to the Performance Shares as it is currently considered unlikely that the Milestones will be achieved.

15 RESERVES

Nature and purpose of reserves

<u>Foreign currency translation reserve</u>
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operation.

16 EARNINGS/LOSS PER SHARE

	2018 cents	2017 cents
Basic and diluted loss per share from continuing operations	(0.58)	(0.84)
Basic and diluted loss per share from continuing and discontinued operations.	(0.57)	(0.92)

The loss and weighted average number of ordinary shares used in the calculation of basic and diluted loss per share is as follows:

	2018 $	2017 $
Loss from continuing operations	(5,020,996)	(6,469,401)
Loss for year	(4,922,329)	(7,096,906)
	Number	**Number**
Weighted average number of ordinary shares	860,847,559	772,916,052

17 NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

For the purpose of the cash flow statement, cash includes cash on hand and in banks and deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	2018 $	2017 $
Cash at bank	69,707	639,457
Balance at 30 June	**69,707**	**639,457**

(b) Reconciliation of loss for the period to net cash flows from operating activities

	2018 $	2017 $
Loss after income tax	(4,922,329)	(7,096,906)
Non-Cash Items:		
Depreciation expense	33,229	33,724
Impairment of goodwill	-	2,703,574
Impairment of plant and equipment	-	35,750
Other intangibles written off	-	626,043
Debts forgiven	-	(250,638)
Changes in Assets and Liabilities		
(Increase)/decrease in trade and other receivables	139,459	185,929
(Increase)/decrease in inventory	230,074	(596,190)
(Decrease)/increase in trade and other payables	410,646	286,839
(Increase)/decrease in other assets	-	(3,402)
(Increase)/decrease in loan receivable	-	141,445
Net cash used in operating activities	**(4,108,921)**	**(3,933,832)**

(c) Non-cash financing activities

The Company did not engage in any non-cash financing activities during the year ended 30 June 2018 (2017: $nil).

(d) Changes in liabilities arising from financing activities

	2018 $	2017 $
Borrowings		
Opening balance	500,000	-
Proceeds from borrowings	920,000	-
Repayment of borrowings	(50,000)	500,000
Closing balance	**1,370,000**	**500,000**

18 RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

i. Key management personnel compensation

The aggregate compensation made to key management personnel of the Company is set out below:

	2018 $	2017 $
Short term employee benefits	618,105	426,072
Post-employment benefits	22,800	11,400
	640,905	**437,472**

ii. Transactions with key management personnel and related parties

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

The amounts outstanding and accrued for key management personnel are as follows: Yakov Temov $50,369 (2017: $30,149), Jason Ferris $17,693 (2017: $5,475) in relation to remuneration owing.

Reimbursements

During the year, $7,430 was paid to Mr Ferris in relation to reimbursements (2017: $45,612). Mr Thomas was paid $nil in relation to reimbursements (2017: $254).

19 AUDITORS' REMUNERATION

	2018 $	2017 $
Remuneration of the auditor of the Company (HLB Mann Judd) for:		
- auditing or reviewing the financial report	45,500	51,150
- taxation compliance	2,750	-
	48,250	51,150

NOTES TO THE FINANCIAL STATEMENTS

20 FINANCIAL INSTRUMENTS

(a) Financial risk management policies

The Group's principal financial instruments comprise cash and short-term deposits and trade and other payables as disclosed in the financial statements. The main purpose of these financial instruments is to manage the working capital needs of the Group's operations. It is the Group's policy that no trading in financial instruments shall be undertaken. The board reviews and agrees policies for managing this risk is summarised below.

(i) Credit risk management

The Company is not currently exposed to credit risk other than in the normal course of business.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

	Interest Rate	1 year or less $	1 to 5 years $	Total $
Consolidated				
30 June 2018				
Financial assets				
Cash and cash equivalents	0.5%	69,707	-	**69,707**
Trade receivables and other receivables		155,286	-	**155,286**
Loan receivable		-	-	-
Total financial assets		**224,993**	-	**224,993**
Financial liabilities				
Trade and other payables		(1,512,658)	-	**(1,512,658)**
Borrowings	9.0%	(1,370,000)	-	**(1,370,000)**
Total financial liabilities		**(2,882,658)**	-	**(2,882,658)**
Consolidated				
30 June 2017				
Financial assets				
Cash and cash equivalents	0.3%	639,457	-	**639,457**
Trade receivables and other receivables		294,745	-	**294,745**
Loan receivable		-	-	-
Total financial assets		**934,202**	-	**934,202**
Financial liabilities				
Trade and other payables		(961,380)	-	**(961,380)**
Borrowings	9.0%	(500,000)	-	**(500,000)**
Total financial liabilities		**(1,461,380)**	-	**(1,461,380)**

20 FINANCIAL INSTRUMENTS

(iii) Interest rate risk

The financial instruments which primarily expose the Company to interest rate risk are cash and cash equivalents. The Company's exposure to interest rate risk and the effective interest rate for classes of financial assets and financial liabilities using sensitivity analysis is not material.

(iv) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from exposures to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk measure using sensitivity analysis is not material.

(v) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analyses.

The directors consider that the carrying amounts of financial assets and financial liabilities which are all recorded at amortised cost less accumulated impairment charges in these financial statements, approximate their fair values.

21 OPERATING SEGMENTS

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group's operating segments have been determined with reference to the monthly management accounts used by the Chief Operating Decision Maker to make decisions regarding the Company's operations and allocation of working capital. Due to the size and nature of the Group, the Board as a whole has been determined as the Chief Operating Decision Maker.

Based on the quantitative thresholds included in AASB 8, there is only one reportable segment, being the development and manufacture of wireless technologies.

The revenues and results of this segment are those of the Group as a whole and are set out in the consolidated statement of comprehensive income. The segment assets and liabilities of this segment are those of the Group and are set out in the consolidated statement of financial position.

22 CONTINGENT LIABILITIES

As previously announced the Company has appealed the decision of a single judge of the Supreme Court to uphold Mr Andrew Paterson's application for judicial review of the Minister for Mines decision to terminate his application for E37/1220 and for the Company to pay Mr Paterson's legal costs of those proceedings. If the Company is successful in the appeal the Minister's decision will stand and Mr Paterson's E37/1220 will be terminated.

With the exception of the above, the Directors of the Group are not aware of any contingent liabilities which require disclosure in the financial year ended 30 June 2018.

23 SUBSEQUENT EVENTS

On 22 August 2018 the Company announced that it had undertaken a review of its operations and current business structures and has resolved to make a number of strategic changes to improve the position of the Company for future growth.

The Company confirmed it was undertaking a capital raising totalling $2,530,000 to provide capital to secure future revenue growth and manufacturing capacity required to meet larger purchase orders. The Capital Raising comprised the following:

(i) Placement - On 4 September 2018 the Company announced it had completed a Placement raising $399,562 from sophisticated and professional investors. 133,187,333 shares were issued at $0.003 per share.

(ii) Non-Renounceable Rights Issue – On 24 August 2018 the Company issued a Prospectus for a non-renounceable, pro-rata entitlement offer (Entitlement Offer) made on the basis of four (4) shares for every five (5) shares held on the Record Date at an issue price of $0.003 per share to raise approximately $2.13m (before costs). The Entitlement Offer was fully underwritten by 708 Capital Pty Ltd and closed on 21 September 2018. On 26 September 2018 the Company advised that it had received applications for a total of 131,594,009 Shares with the total subscription amount received being $394,782. The 578,738,659 Shortfall Shares are to be placed with the Underwriter, 708 Capital Pty Ltd pursuant to the terms of the Underwriting Agreement.

As announced on 22 August 2018, the Company successfully re-negotiated its existing secured $1,370,000 Loan Facility with Gorilla Pty Ltd, which has been extended to 30 June 2019. The parties have also agreed to convert the Loan Facility and accrued interest to 30 June 2018 to convertible notes (convertible at $0.003) subject to shareholder approval. In addition, the Directors have agreed to receive payment of outstanding director's fees totalling $140,000 in Shares at an issue price of $0.003 per share, subject to Shareholder Approval. In addition, the Board confirmed a number of cost reductions are to be made from its operations including reducing director fees and executive fees by 50%.

24 PARENT ENTITY INFORMATION

The following detailed information is related to the parent entity, Connected IO Limited, as at 30 June 2018 and 30 June 2017.

	2018	**2017**
	$	**$**
Current assets	86,489	581,066
Non-current assets	2,243,392	3,128,885
Total assets	**2,329,881**	**3,709,951**
Current liabilities	1,692,819	679,758
Non-current liabilities	-	-
Total liabilities	**1,692,819**	**679,758**
Contributed equity	66,345,419	63,678,745
Reserves	968,849	968,849
Accumulated losses	(66,677,206)	(61,617,401)
Total equity	**637,062**	**3,030,193**
Loss for the year	(5,059,805)	(6,626,169)
Other comprehensive loss for the year	-	-
Total comprehensive loss for the year	**(5,059,805)**	**(6,626,169)**

25 DISCONTINUED OPERATION

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a spate major line of business or geographical area of operations.

When an operation is classified as discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as of the operations had been discontinued from the start of the comparative year.

Following a scheme of amalgamation following the approval by a Certificate of Merger, ICU Wireless Systems Limited, incorporated in Mauritius was ultimately merged into Connected IO, Inc, incorporated in the United States of America.

ICU Wireless Systems was merged into Connected IO, Inc and reported in the financial statements for the year ended 30 June 2018 as a discontinued operation.

Consideration

No consideration was receivable / received as a result of the merger.

Net liabilities at date of sale

	Consolidated	
	2018	**2017**
	$	**$**
Cash and cash equivalents	25	25
Trade and other payables	(3,895)	(3,895)
Net liabilities	(3,870)	(3,870)

Cash inflow on disposal

No cash inflow on merger.

Financial performance from discontinued operation

	Consolidated	
	2018	**2017**
	$	**$**
Other income		24,817
Administration expenses		(1,462)
Other intangibles written off		(626,043)
Gain before income tax	-	(602,688)
Discontinued operation	3,870	-
Tax expense	-	-
Gain/(loss) for the year	3,870	(602,688)
Other comprehensive income for the year, net of tax		
Items that may be reclassified through profit or loss		
Exchange differences on translation of foreign balances	94,797	-
	94,797	-
Total comprehensive loss	98,667	(602,688)

Cash flows

No cash operating, investing or financing activities as a result of the merger.

DIRECOTRS' DECLARATION

The Directors of the Company declare that:

1. in the Directors' opinion, the financial statements and accompanying notes set out on pages 11 to 40 are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards and the *Corporations Regulations 2001*; and

   (b) give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date;

2. Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board;

3. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

4. the remuneration disclosures included in the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2018, comply with section 300A of the *Corporations Act 2001*; and

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Yakov Temov
Director

Los Gatos, California
28 September 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

Independent Auditor's Report
To the Members of Connected IO Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Connected IO Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other 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 the directors' declaration.

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

a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

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

Material Uncertainty Related to Going Concern

We draw attention to Note 1(d) in the financial report, which indicates the existence of a material uncertainty 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.

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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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Key Audit Matter	How our audit addressed the key audit matter
Goodwill Note 3 of the financial report	
At 30 June 2018, the Group has a balance of $2,418,610 relating to goodwill acquired as part of a business combination. The Group is required to conduct an impairment assessment in relation to goodwill annually. We considered this to be a key audit matter due to its importance to users' understanding of the financial statements, the degree of estimation involved in future cash flows, discounts rates and other inputs to the value-in-use model and the degree of audit effort directed towards this area.	Our audit procedures included but were not limited to the following: • Obtaining an understanding of the key controls associated with the preparation of the model used to assess the recoverable amount of the asset; • Critically evaluating management's methodology in the model and the basis for key assumptions; • Assessing the value-in-use model for consistency with the requirements of Australian Accounting Standards; • Performing sensitivity analyses around the key inputs used in the cash flow forecasts and the headroom impact on the model; • Reviewing the mathematical accuracy of the model; • Comparing value-in-use to the carrying amount of assets comprising the cash-generating unit; • Considering whether the assets comprising the cash-generating unit had been correctly allocated; • Comparing forecast cash flows to the latest Board approved forecasts; • Considering the appropriateness of the discount rate used; and • Assessing the appropriateness of the disclosures included in the relevant notes to the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly 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.

HLB Mann Judd

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 have 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 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

HLB Mann Judd

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 2018.

In our opinion, the Remuneration Report of Connected IO Limited for the year ended 30 June 2018 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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
28 September 2018

B G McVeigh
Partner

ASX ADDITIONAL INFORMATION

Pursuant to the Listing Rules of the Australian Securities Exchange, the shareholder information set out below was applicable as at 24 September 2018.

A. Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of Shareholders	Number of Shares
1 to 1,000	2,926	394,363
1,001 to 5,000	229	527,166
5,001 to 10,000	50	398,075
10,001 to 100,000	511	24,664,401
100,001 and Over	661	995,119,380
	4,377	**1,021,103,385**

There were 3,809 shareholders holding less than a marketable parcel of ordinary shares at $0.003 per share.

B. Substantial Shareholders

An extract of the Company's Register of Substantial Shareholders (who hold 5% or more of the issued capital) is set out below:

		Issued Ordinary Shares	
	Shareholder Name	**Number**	**%**
1	Cocoon Capital Investments Limited	124,500,000	12.19
2	King George V Nominees Ltd	60,000,000	5.88

C. Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are listed below:

		Issued Ordinary Shares	
	Shareholder Name	**Number**	**%**
1	Cocoon Capital Investments Limited	124,500,000	12.19
2	King George V Nominees Ltd	60,000,000	5.88
3	Yakov Temov	46,000,000	4.50
3	White Light Communications Ltd	46,000,000	4.50
5	BHMB Nominees Pty Ltd <BHMB Fund A/C>	21,666,667	2.12
6	Heedful Pty Ltd <Assured S/F A/C>	20,000,000	1.96
7	Tyche Investments Pty Ltd	18,333,333	1.80
8	Mr Glynn Logue	15,000,000	1.47
9	Five T Capital Pty Ltd	14,333,333	1.40
10	J P Morgan Nominees Australia Limited	14,167,901	1.39
11	Botsis Holdings Pty Ltd	14,000,000	1.37
12	Trident Capital Pty Ltd	13,500,000	1.32
13	CTTR Growth Pty Ltd	13,000,000	1.27
14	SDMO Australia Pty Ltd <Botica Super Fund A/C>	11,541,925	1.13
15	G J Johnson & Co Pty Ltd	10,000,000	0.98
16	McGuigan Family Pty Ltd <McGuigan Family A/C>	10,000,000	0.98
17	IMLHoldings Pty Ltd	9,432,934	0.92
18	Pink Diamonds Family Pty Ltd <The N Botica No1 Family A/C>	8,333,333	0.82
19	Sesto Capital Pty Ltd	8,333,333	0.82
20	Mr Brendan David Gore <Gore Family No 2 A/C>	8,066,667	0.79
	TOTAL	**486,209,426**	**47.62**

ASX ADDITIONAL INFORMATION (CONT'D)

D. Listed Options

As at the date of this report there were nil listed options on issue in the Company.

E. Voting Rights

In accordance with the Company's Constitution, voting rights in respect of ordinary shares are on a show of hands whereby each member present in person or by proxy shall have one vote and upon a poll, each share will have one vote.

F. Unquoted Securities

Class A Performance Shares	
Number of Class A Performance Shares	100,000,000
Number of Holders	3
Holders with more than 20%	Yakov Temov – 34.55% White Light Communications Ltd – 19.55% Cocoon Capital Investments Ltd – 45.9%

Class B Performance Shares	
Number of Class B Performance Shares	50,000,000
Number of Holders	3
Holders with more than 20%	Yakov Temov – 34.55% White Light Communications Ltd – 19.55% Cocoon Capital Investments Ltd – 45.9%

G. On Market Buy-Back

There is no current on market buy-back for any of the Company's securities.

H. Restricted Securities

There are currently no restricted securities on issue.

I. Details of Performance Shares

Each of the 100,000,000 Class A Performance Shares and 50,000,000 Class B Performance Shares will convert to one (1) fully paid ordinary share upon satisfaction of the relevant Milestone. Accordingly, the Class A Performance Milestone will be achieved if the Company and its subsidiaries achieve aggregated gross revenue of $15,000,000 in any of the financial years ending on 31 December 2017 or 2018, following re-compliance with Chapters 1 and 2 of the Listing Rules. The Class B Performance Milestone will be achieved if the Company and its subsidiaries achieve aggregated gross revenue of $25,000,000 in any of the financial years ending on 31 December 2017 or 2018, following re-compliance with Chapters 1 and 2 of the Listing Rules. No Performance Shares were converted or cancelled during the period. No performance milestones were met during the period.

J. ASX Listing Rule 4.10.19 Confirmation

The Directors of Connected IO Limited confirm in accordance with ASX Listing Rule 4.10.19 that during the financial year ending 30 June 2018, the Company has used its cash, and assets that are readily convertible to cash, in a way consistent with its business objectives.