

Appendix 4E Preliminary Final Report

Name of entity

ZIPTTEL LIMITED

ABN or equivalent company reference:

41 108 042 593

1. Reporting period

Preliminary report for the financial year ended	30 June 2018
Previous corresponding period is the financial year ended	30 June 2017

2. Results for announcement to the market

				\$'000
Revenues from ordinary activities (<i>item 2.1</i>)	down	87.9%	to	26
Profit from ordinary activities after tax attributable to members (<i>item 2.2</i>)	up	66.0%	to	(221)

Net profit for the period attributable to members (<i>item 2.3</i>)	up	66.0%	to	(221)
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Dividends (<i>item 2.4</i>)	Amount per security	Franked amount per security
Interim dividend	Nil	Nil
Final dividend	Nil	Nil
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	Not Applicable	
Brief explanation of any of the figures reported above necessary to enable the figures to be understood (<i>item 2.6</i>): Refer to item 12.		

3. Statement of profit or loss and other comprehensive income

Refer to attached unaudited Preliminary Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018.

4. Statement of financial position

Refer to attached unaudited Preliminary Consolidated Statement of Financial Position as at 30 June 2018.

5. Statement of cash flows

Refer to attached unaudited Preliminary Consolidated Statement of Cash flows for the year ended 30 June 2018.

6. Statement of changes in equity

Refer to attached unaudited Preliminary Consolidated Statement of Cash flows for the year ended 30 June 2018.

7. Dividends

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2018	N/A	N/A
Final dividend – year ended 30 June 2018	N/A	N/A

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Total dividend: Current year	N/A	N/A	N/A
Previous year	N/A	N/A	N/A

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities (<i>each class separately</i>)	N/A	N/A
Preference securities (<i>each class separately</i>)	N/A	N/A
Other equity instruments (<i>each class separately</i>)	N/A	N/A
Total	N/A	N/A

8. Details of dividend or distribution reinvestment plans in operation are described below:

N/A	
The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan	N/A

9. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.010	\$0.008

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

Control gained over entities

Name of entities (*item 10.1*)

N/A

Date(s) of gain of control (*item 10.2*)

N/A

Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (*item 10.3*)

N/A

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Loss of control of entitiesName of entities (*item 10.4*)

N/A

Date(s) of loss of control (*item 10.5*)

N/A

Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (*item 10.6*).

N/A

Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (*item 10.7*)

N/A

11. Details of associates and joint venture entities**Name of associate or joint venture entity** (*item 11.1*)**% Securities held** (*item 11.2*)

N/A

N/A

Aggregate share of profits (losses) of associates and joint venture entities (*item 11.3*)**Group's share of associates' and joint venture entities':****2018**
\$**2017**
\$

Profit (loss) from ordinary activities before tax

N/A

N/A

Income tax on ordinary activities

Net profit (loss) from ordinary activities after tax

N/A

N/A

Adjustments

Share of net profit (loss) of associates and JV entities

N/A

N/A

12. Significant information relating to the entity's financial performance and financial position.*Overview*

Since placing the Zipt application into a care and maintenance phase from 30 April 2017, the Company had been exploring commercial outcomes for this product. This initiative resulted in the execution of an agreement ("Agreement") with London-based Space Digital Media Limited (SDM) to have certain ZipT technology integrated into the Convo App and to assist with development of the Convo App (ASX: 18 August 2017). The Convo App is aiming to become a globally significant content driven communication/ social platform that boasts a well credentialed executive team.

Under the Agreement ZipTel has granted a license to certain IP rights to the ZipT technology to SDM and will assist in the development of the Convo App in return for royalty payments of between 10% and 20% of Net Revenue received in relation to the Convo App.

SDM has advised that they intend to focus on building revenue in three core areas initially - advertisement, branded content and E-Commerce. The Convo App will have its own 'in app' advertisement engine for publishers to generate advertisement revenue and gain more visibility.

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It is intended that this feature has been added to allow the Convo App to generate revenue from its publishers, whilst giving publishers value for money in terms of additional reach and followers. In addition, SDM's model contemplates that the Convo App is to generate revenue from traditional "in app" advertisement placements and banner ads placed between content or on user interaction. The Convo App is intended to enable publishers to drive traffic to their pages and benefit from ongoing advertisement revenue splits.

Since executing the Agreement, the Convo App has had soft launches on both the iOS and Android platforms. The Company continues to work with SDM to refine the Convo App as it continues its global launch. The app development is materially complete and the Company expects to update the market as more information becomes available.

Revenue

In FY2018, total revenue was down by 88% to \$26,154 (FY2017: \$215,280) due to Zipt being placed in care and maintenance. The Company banked other revenue of \$453,128, the majority of which related to a tax credit received under the Australian Government's Research and Development (R&D) Tax Incentive Program.

Explanation of Loss

The Company recorded a loss after tax of \$221,219 (FY2017 loss after tax of \$650,167) from total expenses of \$700,501. Significant expenses were Employee expenses including director fees (\$209k), consulting expenses (\$165k) and general administration costs (\$152k) including ASX and share registry fees. Throughout the period, the Company maintained a disciplined approach to costs targeting a minimal monthly cash burn.

Cash Position

Cash at the end of the year was \$1.64M.

Outlook

ZipTel continues to support SDM as it readies to ramp up marketing efforts for the Convo App. Concurrently, ZipTel continues to review opportunities both for its current platforms and otherwise. The Board is committed to assessing each of these opportunities in an efficient and cost-effective manner.

13. The financial information provided in the Appendix 4E is based on the preliminary financial report (attached), which has been prepared in accordance with Australian accounting standards.

14. Commentary on the results for the period.

Refer to explanation item 12.

15. Information on Audit.

This Appendix 4E and Preliminary Final Report is based on financial statements which are in the process of being audited.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 \$
Revenue			
Sale of goods and services	2	26,154	215,280
Other income	3	453,128	2,210,643
Expenses			
Cost of sales	4	(29,991)	(307,482)
Other expenses from ordinary activities			
Administration		(151,922)	(457,817)
Research and development		(108,292)	(327,875)
Employee benefits	4	(209,285)	(877,800)
Marketing and distribution	4	(427)	(245,400)
Consulting		(165,400)	(205,924)
Depreciation and amortisation	4	(6,962)	(27,326)
Occupancy		-	(38,156)
Impairment of Inventories		(23,783)	-
Share-based payments		-	(581,892)
Finance costs		(5,300)	(5,360)
Exchange gain		861	(1,058)
Total Expenses		(700,501)	(3,076,090)
Loss before income tax		(221,219)	(650,167)
Income tax expense		-	-
Loss after income tax for the year		(221,219)	(650,167)
Other comprehensive income		-	-
Total comprehensive loss for the year		(221,219)	(650,167)
Loss attributable to owners of the Company		(221,219)	(650,167)
Total comprehensive loss attributable to owners of the Company		(221,219)	(650,167)
Loss per share for the year attributable to the members of ZipTel Limited (cents per share)		(0.15)	(0.75)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Notes	2018 \$	2017 \$
Current Assets			
Cash and bank balances	5	1,643,149	1,156,120
Trade and other receivables		9,902	13,271
Prepayments		16,763	29,804
Inventories		-	19,479
Total Current Assets		<u>1,669,814</u>	<u>1,218,674</u>
Non-current Assets			
Intangible assets		61,062	68,024
Total Non-current Assets		<u>61,062</u>	<u>68,024</u>
Total Assets		<u>1,730,876</u>	<u>1,286,698</u>
Current Liabilities			
Trade and other payables		145,392	268,734
Provision for advance billings		-	5,603
Provisions		-	275,316
Total Current Liabilities		<u>145,392</u>	<u>549,653</u>
Non-current Liabilities			
Total Non-current Liabilities		<u>-</u>	<u>-</u>
Total Liabilities		<u>145,392</u>	<u>549,653</u>
Net Assets		<u>1,585,484</u>	<u>737,045</u>
Equity			
Issued capital		13,472,557	12,402,899
Reserves		-	12,050,549
Accumulated losses		(11,887,073)	(23,716,403)
Capital and reserves attributable to owners of the Company		<u>1,585,484</u>	<u>737,045</u>
Total equity		<u>1,585,484</u>	<u>737,045</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	Attributable to Owners of the Company			Total \$
		Issued Capital \$	Share-based Payments Reserve \$	Accumulated Losses \$	
Balance at 30 June 2016		12,402,899	11,468,657	(23,066,236)	805,320
Loss for the year		-	-	(650,167)	(650,167)
Total comprehensive loss for the year		-	-	(650,167)	(650,167)
Transactions with owners in their capacity as owners					
Contribution of equity, net of transaction costs		-	-	-	-
Recognition of share-based payments	4	-	581,892	-	581,892
Balance at 30 June 2017		12,402,899	12,050,549	(23,716,403)	737,045
Loss for the year		-	-	(221,219)	(221,219)
Total comprehensive loss for the year		-	-	(221,219)	(221,219)
Transactions with owners in their capacity as owners					
Contribution of equity, net of transaction costs		1,069,658	-	-	1,069,658
Transfer of expired, net of transaction costs		-	(12,050,549)	12,050,549	-
Recognition of share-based payments		-	-	-	-
Balance at 30 June 2018		13,472,557	-	(11,887,073)	1,585,484

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CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		28,503	200,888
Payments to suppliers and employees		(1,065,121)	(2,588,377)
Other income		453,128	2,191,597
Net cash used in operating activities	7	<u>(583,490)</u>	<u>(195,892)</u>
Cash flows from investing activities			
Net cash used in investing activities		<u>-</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from issue of shares		1,197,872	-
Share issue transaction costs		<u>(128,215)</u>	<u>-</u>
Net cash provided by financing activities		<u>1,069,658</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		1,156,120	1,353,070
Effects of exchange rate changes		861	<u>(1,058)</u>
Cash and cash equivalents at the end of the year	5	<u>1,643,149</u>	<u>1,156,120</u>

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NOTES TO THE PRELIMINARY FINANCIAL REPORT

NOTE 1: BASIS OF PREPARATION OF THE FINAL REPORT

BASIS OF PREPARATION

This preliminary final report for the year ended 30 June 2018 relates to the consolidated entity consisting of ZipTel Limited ("Ziptel" or "the Group") and its controlled entities.

The preliminary final report has been prepared on an accruals basis and a historical cost basis except for certain current and non-current assets and financial instruments which are measured at fair value or where otherwise stated. Cost is based on the fair value of consideration given in exchange for assets.

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual financial report of the year ended 30 June 2018 and any public announcements made by ZipTel during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The amounts contained in this preliminary final report are presented in Australian dollars, the functional currency of the consolidated entity.

STATEMENT OF COMPLIANCE

The preliminary final report is a general-purpose financial report and has been prepared in accordance with applicable Australian Accounting Standards, other pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. The preliminary final report is also in compliance with ASX listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. Australian Accounting Standards include Australian equivalents of International Reporting Standards ("AIFRS").

NOTE 2: REVENUE

The following is an analysis of the Group's revenue for the year.

	2018 \$	2017 \$
OPERATING ACTIVITIES		
- Revenue from sale of goods	34,908	104,716
- Revenue from sale of services	78	121,138
Discount and sales refund	(8,832)	(10,574)
TOTAL REVENUE	26,154	215,280

NOTE 3: OTHER INCOME

The following is an analysis of the Group's other income for the year.

	2018 \$	2017 \$
NON-OPERATING ACTIVITIES		
Interest	23,184	14,258
Government grants / Research and development tax credit	429,944	2,174,096
Debt forgiveness	-	22,289
TOTAL OTHER INCOME	453,128	2,210,643

NOTES TO THE PRELIMINARY FINANCIAL REPORT

NOTE 4: EXPENSES

	2018 \$	2017 \$
EXPENSES		
Cost of sales	29,991	307,482
EMPLOYEE BENEFITS		
- Employee wages and salaries	55,561	541,320
- Employee benefits expense	153,724	336,480
TOTAL EMPLOYEE BENEFITS	209,285	877,800
DEPRECIATION AND AMORTISATION		
- Depreciation of plant and equipment	-	6,566
- Amortisation of intangible assets	6,962	20,759
TOTAL DEPRECIATION AND AMORTISATION	6,962	27,326
SHARE-BASED PAYMENT EXPENSE		
- Expenses recognised for Performance Rights	-	-
- Expenses for employees and consultants	-	581,892
TOTAL SHARE-BASED PAYMENT EXPENSE	-	581,892

NOTE 5: CASH AND CASH EQUIVALENTS

	2018 \$	2017 \$
Cash and bank balances	1,643,149	1,156,320
RECONCILIATION TO CONSOLIDATED STATEMENT OF CASHFLOWS:		
Balances as above	1,643,149	1,156,320
Bank overdraft	-	-
BALANCES PER STATEMENT OF CASHFLOWS	1,643,149	1,156,320

NOTE 6: SEGMENT REPORTING

(1) DESCRIPTION OF SEGMENTS

The Group's executive directors examine the Group's performance from a core communications products perspective and have identified two reportable segments of its business, being prepaid travel sim card services (AussieSim) and mobile based VOIP communication services (Zipt).

(2) SEGMENT REVENUE AND RESULTS

	SEGMENT REVENUE		SEGMENT PROFIT	
	2018 \$	2017 \$	2018 \$	2017 \$
CONTINUING OPERATIONS				
AussieSim	26,076	94,142	2,341	37,607
Zipt	78	121,138	(6,179)	(129,809)
Unallocated sales discount and refund			(8,832)	(10,574)
	26,154	215,280	(12,670)	(102,776)
Other income	453,128	2,210,643	453,128	2,210,643
Corporate and administration	-	-	(649,415)	(2,695,348)
Depreciation and amortisation	-	-	(6,962)	(27,326)
Finance Costs	-	-	(5,300)	(5,360)
LOSS BEFORE INCOME TAX	479,282	2,425,923	(221,219)	(620,167)

NOTES TO THE PRELIMINARY FINANCIAL REPORT

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2017: nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit represents the profit before tax earned by each segment without allocation of central corporate and administration costs, employee benefits, depreciation and amortisation, and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(3) SEGMENT ASSETS AND LIABILITIES

	2018 \$	2017 \$
SEGMENT ASSETS		
AussieSim	71,895	99,903
Zipt	22,631	37,475
Total segment assets	94,526	137,378
Cash and corporate assets	1,636,349	1,149,320
TOTAL ASSETS	1,730,875	1,286,698
SEGMENT LIABILITIES		
AussieSim	-	2,892
Zipt	16,200	546,761
Total segment liabilities	16,200	549,653
Cash and corporate liabilities	129,192	-
TOTAL LIABILITIES	145,392	549,653

For the purposes of monitoring segment performance and allocating resources between segments:

- I. all assets are allocated to reportable segments other than cash, GST receivables, office equipment, and certain other receivables. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- II. all liabilities are allocated to reportable segments other than bank overdraft, borrowings, and corporate creditors. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

(4) INFORMATION ABOUT MAJOR CUSTOMERS

The Group has no external customers that represent more than 10% of total Group revenue. ZipTel is not reliant on any of its major customers.

NOTES TO THE PRELIMINARY FINANCIAL REPORT

NOTE 7: RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2018	2017
	\$	\$
Loss after income tax	(221,219)	(620,167)
NON CASH ITEMS		
Depreciation and amortisation expenses	6,962	27,326
Write-off inventories	23,783	-
Share-based payment expenses	-	581,892
Provision for employee entitlements	(275,316)	171,879
Provision for impairment of receivables	4,303	-
Loss on disposal of plant and equipment	-	-
Exchange differences	(861)	1,057
<i>(Decrease) / Increase in working capital</i>		
Change in other current assets	35,890	99,979
Change in other liabilities	(157,032)	(457,858)
Net cash outflow from operating activities	<u>(583,490)</u>	<u>(195,892)</u>

NOTE 8: CONTINGENCIES

There were no contingencies as at 30 June 2018.

NOTE 9: SUBSEQUENT EVENTS

There were no matters or circumstances arising since the end of the reporting period that have significantly affected, or may significantly affect the operations of the Company and the results of those operations or the state of the affairs of the Company in the financial period subsequent to 30 June 2018.

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