

Connexion Telematics Ltd
Appendix 4D
Interim report

1. Company details

Name of entity:	Connexion Telematics Ltd
ABN:	68 004 240 313
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

				US\$
Revenues from ordinary activities	down	15%	to	1,903,822
Profit from ordinary activities after income tax expense attributable to the owners of Connexion Telematics Ltd	down	90%	to	12,930
Profit for the half-year attributable to the owners of Connexion Telematics Ltd	down	90%	to	12,930

Comments

The profit for the consolidated entity after providing for income tax expense amounted to US\$12,930 (31 December 2020: US\$127,448).

Total revenues from ordinary activities for the period were US\$1,903,822 (2020: US\$2,246,698).

The working capital position of the Company as at 31 December 2021 was a surplus of US\$1,614,992, which was a decrease from a surplus of US\$3,003,590 as at 30 June 2021.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>0.37</u>	<u>0.34</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly owned foreign entities:

Entity name	Country of incorporation	Ownership interest	
		2022	2021
		%	%
Connexion Media Inc	United States of America	100	100
1125816 B.C. Ltd	Canada	100	100

10. Audit review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report. The Auditor issued an unmodified review conclusion.

11. Signed

Signed



Date: 9 February 2022

Aaryn Nania
Managing Director and Chief Executive Officer

Connexion Telematics Ltd

ABN 68 004 240 313

Interim Financial Report

For the six months ended 31 December 2021

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Corporate Information

Directors

Robert Downey
Aaryn Nania
Greg Ross
Simon Scalzo

Company secretary

Ben Stanyer

Registered office

Level 8, 350 Collins Street
Melbourne, VIC 3000

Principal place of business

Level 8, 350 Collins Street
Melbourne, VIC 3000

Share registry

Automic Group
Level 35, 477 Collins Street
Melbourne VIC 3000
Phone: 1300 288 664 (Australia) +61 2 9698 5414 (overseas)

Auditor

William Buck
Level 20, 181 William Street
Melbourne VIC 3000
Phone: +61 3 9824 8555

Bankers

National Australia Bank

Stock exchange listing

Connexion Telematics Ltd's shares are listed on the Australian Securities Exchange (ASX code: CXZ)

Website

www.connexionltd.com

Directors' Report

Your Directors present their report together with the financial statements of the consolidated entity (referred to hereafter as the 'Group' or the 'consolidated entity'), consisting of Connexion Telematics Ltd (referred to hereafter as the 'Company', the 'Parent entity' or 'Connexion') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

The names of Directors who held office during or since the end of the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated:

Robert Downey
Aaryn Nania
Peter Torre – *resigned* 17 November 2021
Greg Ross
Simon Scalzo

Mr Peter Torre resigned as Company Secretary effective 1 December 2021 due to other increased work commitments. Mr Ben Stanyer, the current Group Financial Controller, was appointed as the Company Secretary on 1 December 2021, in addition to his ongoing role.

Principal activities

The principal activities of the entities within the Group during the year were the development and commercialisation of its fleet & rental management software for the automotive industry.

The accounting policies applied by the Company in these consolidated Finance Statements are consistent with those applied by the Group in the previous half-year, with the exception to the change in presentational currency which occurred in the year-ended 30 June 2022 Financial Statement. The financial statements are presented in US dollars, except where otherwise indicated. Refer to note 1(b) for further details.

Review of operations

Operating results for the half-year

Total revenues from ordinary activities for the consolidated entity were US\$1,903,822 for the period (31 December 2020: US\$2,246,698).

Gross Profit for the period was US\$1,231,421 (31 December 2020: \$884,822).

Profit after providing for income tax expense amounted to US\$12,930 (31 December 2020: US\$127,448).

The net assets of the consolidated entity as at 31 December 2021 were US\$3,902,990 (30 June 2021: US\$3,889,688), an increase of US\$13,302 from the comparable period as at 30 June 2021.

The high effective tax rate is attributable to Connexion recognising a larger profit in its Australian entities, before its US spending is consolidated with the Group. Due to the Group's existing Deferred Tax Asset, no income tax is actually paid in cash. Instead, the Deferred Tax Asset is amortised by an equivalent amount. Furthermore, we will review the efficiency of our tax structure in the subsequent period.

Directors' Report (*continued*)

Review of operations (*continued*)

Operational overview

Connexion continued to expand the delivery of its automotive fleet & rental management Software as a Service (SaaS) solution to General Motors and its large network of Dealerships in the United States, whilst investing for future growth.

From a financial perspective, the first half of FY22 is best described as a continuation of the key trends outlined in the prior period, notably:

1. Revenue deterioration from lower global vehicle inventories (semiconductor chip shortage)
2. Revenue growth from CXZTRAC subscriptions
3. Revenue growth from feature-enhancement delivery
4. Expenditure growth from reinvestment into Team and Products

The Company presents its key economic drivers as follows:

- Team Performance → controllable
- Subscriptions → uncontrollable short-term, limited and increasing control medium to long-term
- FX → uncontrollable short-term, limited control medium to long-term

For the half year ended 31 December 2021, the Company reports on these as follows:

Team Performance – the Company began the period having only just recently completed a five-year renewal with its main customer, General Motors. No sooner had the ink dried on the renewal, dealership courtesy vehicle inventory, upon which Connexion's main revenue source was linked, began depleting at a rapid pace as the global chip shortage took hold.

Connexion began the half year with approximately three quarters of its revenue linked to the number of live vehicle subscriptions. By extension, the very large reductions in vehicle inventory resulted in an immediate and equally large impact upon Connexion's core subscription revenue. In response, the Team swiftly countered this challenge with the successful, fast-tracked commercial launch of CXZTRAC – an OEM-agnostic platform enabling access to "Used" inventory, and priced per dealer per month. During the first quarter (Q1 FY22), the Team worked diligently to ensure the swift and successful rollout of CXZTRAC and, by extension, mitigate an otherwise severe negative externality.

Immediately prior to the beginning of the period, the Company advised Shareholders that it "does not expect a material change to its earnings" due to the chip shortage. Pleasingly, this statement was validated throughout the period.

Separately, the Team added US\$174k in organic top line growth during the half year, reflecting the "Embed" component of Connexion's operating model.

Furthermore, the Team continued to grow its pipeline of upcoming feature enhancement work, complemented by the signing of its first two Commercial Partner Pilots. These initiatives were accompanied by Connexion entering a Strategic Alliance with one of the world's leading automotive software suppliers.

Consistent with prior communications to Shareholders, Connexion continued to increase its investment in the Team, with multiple technical hires onboarded during the period. Increased technical capability is critical as Connexion scales up, with two thirds of the Team now having joined only in the past 18 months.

Directors' Report (*continued*)

Review of operations (*continued*)

Operational overview (continued)

The Team has previously explained why, on balance, it believes Gross Profit to be the single best metric with which to measure its performance as it scales the business. Gross Profit is really the “engine” of the Company, from which capital can be allocated. Pleasingly, Gross Profit was US\$1.23m for the half year - up 39% on the prior comparable period.

Whilst the half year is too short a timeframe upon which to place much weight, it likely represents the early emergence of the flywheel concept described in prior Quarterly Updates. Increased internal investment supports increased Gross Profitability which, in turn, supports increased future internal investment.

During the period, the Team also designed and executed its Cash Management Strategy, through which its Excess Capital will be managed via a diversified portfolio of liquid and semi-liquid managed funds until more compelling opportunities arise.

Subscriptions – as is now well-documented by both the Company and the media throughout the period, a global semiconductor shortage resulted in large and widespread reductions in new vehicle production globally, including for Connexion’s user base of dealerships.

As of the date of this report, dealerships across most manufacturer brands in the US and globally are reporting reductions in inventory of 50-90%, with 70-80% falls being commonly cited numbers. To date, the Company also notes a severe impact on the number of vehicles “subscribed” on its OnTRAC platform. As with most supply-related issues, the Company expects a resolution to be forthcoming, albeit not before the end of FY22 at the earliest. Importantly, much of this malaise was mitigated through the accelerated repurposing and roll-out of CXZTRAC throughout the period.

For contractual and commercial reasons, Connexion does not publish further detail around the overall level and make-up of its subscriptions.

FX – the Company incurred a negative impact to its Net Profit Before Tax of US\$90k due to an adverse movement in the AUD/USD currency pair during the half year. Specifically, this consists of a revaluation of assets, being mostly AUD cash. Shareholders should note, however, that as a USD earner with a meaningful AUD cost base, Connexion’s ongoing operating profitability is improved by a weaker AUD. By contrast, the immediate balance sheet revaluation is an offsetting “one-off”.

In the prior period, the Company minimised the extent to which volatility in currency pairs did and will impact earnings by taking the following steps:

1. Implementing a natural hedge of currency-matching assets and operating expenditure to the extent of available free cash (i.e. converting excess cash into AUD).
2. Implementing a natural hedge of shifting AUD-denominated supply contracts into USD, where possible.
3. Changing the presentational currency of the Company to USD. From a commercial perspective, Connexion is a US-facing organisation and should be analysed as such.

Whilst currency movements will always impact the Company so long as it transacts in multiple currencies, the steps taken above have minimised the Company’s FX sensitivity, and will continue to do so without the cost, risk and complexity of implementing synthetic hedges.

Headwinds and tailwinds come and go. Meanwhile, the Company’s focus remains on executing against the strategy presented to Shareholders.

Directors' Report (*continued*)

Review of operations (*continued*)

Corporate

As announced on 17th November 2021, Mr Peter Torre retired as a Director of the Company due to rotation and chose not to stand for election.

Outlook

The Company notes that, consistent with recent Quarterly Updates, it continues to invest meaningfully into the growth of its operations in the form of Research and Development, with US\$318k invested in HY22. With much of this discretionary investment expensed through the statement of profit or loss, there has been, and will continue to be, a meaningful impact on reported profitability for the financial periods just-reported and subsequent. This is by design, and Shareholders are encouraged to carefully examine the revenue and gross profit analysis presented within the Quarterly Updates.

Guidance on the quantum of Connexion's future discretionary investment is not provided, other than to say that it could potentially exceed the amount of positive operating cashflow during subsequent periods. Should this occur, however, it is unlikely to be material relative to the Company's available Net Cash & Investments.

The current Board and Management of Connexion have developed a consistent track record of tightly managing invested capital and delivering a satisfactory return on invested capital. This ethos will not change. Instead, any increase in investment into the business will reflect a clearly defined and examined opportunity for the Company to strengthen its competitive moat over time.

As demonstrated at the November 2021 AGM, Connexion has developed and implemented a clear:

- Operating model - "Embed, Integrate, Generate"
- Sales strategy - "OEM Sales, Dealership Sales"
- Corporate strategy - "Come for the tool, stay for the network"

Connexion is committed to expanding within GM, within alternative manufacturers, to enhancing its own platform capabilities, and to integrating with complementary software partners.

As of the date of this interim report, the Company's progress remains consistent with the plan presented at last year's AGM.

Significant changes in the state of affairs

Other than disclosed elsewhere in this report, there were no significant changes in the state of affairs of the consolidated entity during the half year.

Dividends

There were no dividends paid, recommended or declared during the current or previous reporting period.

Significant events after reporting period

Other than matters already disclosed elsewhere in this Report, no matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Directors' Report (*continued*)

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Aaryn Nania
Managing Director and Chief Executive Officer

Sydney, 9 February 2022

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF CONNEXION TELEMATICS LTD**

I declare that, to the best of my knowledge and belief during the half-year ended 31 December 2021 there have been:

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

William Buck

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

A. A. Finnis

A. A. Finnis
Director

Melbourne, 9 February 2022

ACCOUNTANTS & ADVISORS

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Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2021

		Consolidated	
		31 December	31 December
		2021	2020
	Note	US\$	US\$
Revenue		1,903,822	2,246,698
Cost of Sales		(672,401)	(1,361,876)
Gross Profit		1,231,421	884,822
Other income		2,629	35,737
Expenses			
Corporate and administrative expenses		(996,034)	(524,176)
Depreciation and amortisation expenses		(94,584)	(74,421)
Profit before income tax		143,432	321,962
Income tax		(130,502)	(194,514)
Profit after income tax for the year attributable to the owners of Connexion Telematics Ltd		12,930	127,448
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(89,959)	226,595
Total comprehensive income attributable to the owners of Connexion Telematics Ltd		(77,029)	354,043
		Cents	Cents
Basic earnings per share	7	0.001	0.015
Diluted earnings per share	7	0.001	0.014

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

Consolidated Statement of Financial Position

As at 31 December 2021

		Consolidated	
		31 December	30 June
		2021	2021
	Note	US\$	US\$
Assets			
Current assets			
Cash and cash equivalents		1,057,285	2,330,463
Trade and other receivables		960,076	1,066,171
Inventory		2,881	2,972
Financial assets at fair value through profit or loss	2	1,638,595	-
Total current assets		3,658,837	3,399,606
Non-current assets			
Plant and equipment		6,628	9,822
Capitalised development costs		91,036	187,850
Deferred tax asset		570,226	700,728
Total non-current assets		667,890	898,400
Total assets		4,326,727	4,298,006
Liabilities			
Current liabilities			
Trade and other payables		316,791	324,834
Employee benefits		85,578	68,210
Total current liabilities		402,369	393,044
Non-current liabilities			
Employee benefits		21,368	15,274
Total non-current liabilities		21,368	15,274
Total liabilities		423,737	408,318
Net assets		3,902,990	3,889,688
Equity			
Issued capital	3	11,589,939	11,586,366
Reserves	4	(5,318)	8,072
Accumulated losses		(7,681,631)	(7,704,750)
Total equity		3,902,990	3,889,688

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

Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2021

	Issued Capital US\$	Share based payment reserve US\$	Consolidated Foreign currency translation reserve US\$	Accumulated losses US\$	Total equity US\$
Balance as at 1 July 2021	11,586,366	68,072	(60,000)	(7,704,750)	3,889,688
Profit for the half-year	-	-	-	12,930	12,930
Other comprehensive loss for the year, net of income tax	-	-	(89,959)	-	(89,959)
Total comprehensive loss for the year	-	-	(89,959)	12,930	(77,029)
Share based payments	-	90,331	-	-	90,331
Lapse of performance rights	-	(10,189)	-	10,189	-
Exercise of performance rights	3,573	(3,573)	-	-	-
Balance as at 31 December 2021	11,589,939	144,641	(149,959)	(7,681,631)	3,902,990

	Issued Capital US\$	Share based payment reserve US\$	Consolidated Foreign currency translation reserve US\$	Accumulated losses US\$	Total equity US\$
Balance as at 1 July 2020	11,503,558	82,808	(58,340)	(8,215,528)	3,312,498
Profit for the half-year	-	-	-	127,448	127,448
Other comprehensive income for the year, net of income tax	-	-	226,595	-	226,595
Total comprehensive income for the year	-	-	226,595	127,448	354,043
Share based payments	-	-	-	-	-
Lapse of performance rights	-	-	-	-	-
Exercise of performance rights	82,808	(82,808)	-	-	-
Balance as at 31 December 2020	11,586,366	-	(25,959)	(7,893,866)	3,666,541

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

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2021

	Consolidated	
	31 December	31 December
	2021	2020
	US\$	US\$
Cash flows from operating activities		
Receipts from customers	2,051,910	2,326,157
Payments to suppliers and employees	(1,599,163)	(2,119,852)
Research & Development and other government incentives	-	35,730
Interest received	74	7
Income tax paid	-	(3,904)
Net cash inflow from operating activities	452,821	238,138
Cash flows from investing activities		
Payments for plant and equipment	-	(2,354)
Payments for capitalised development costs	-	(60,211)
Payments for investing portfolio	(1,636,040)	-
Net cash outflow from investing activities	(1,636,040)	(62,565)
Cash flows from financing activities		
Proceeds from issues of shares, net of costs	-	-
Repayment of borrowings, net of costs	-	-
Net cash inflow from financing activities	-	-
Net increase in cash and cash equivalents	(1,183,219)	175,573
Cash and cash equivalents at the beginning of the financial year	2,330,463	1,679,383
Effect of exchange rates on cash and cash equivalents	(89,959)	226,595
Cash and cash equivalents at the end of the financial year	1,057,285	2,081,551

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

Notes to the Financial Statements

Note 1: Basis of preparation

(a) Basis of preparation and statement of compliance

The Company is a listed public Company, incorporated in Australia and operating in Australia, the United States of America, Canada and Mexico. The entity's principal activities are detailed in the Directors Report. Its registered office and principal place of business is:

Level 8, 350 Collins Street
Melbourne
Victoria, 3000
Australia

The accounting policies applied by the Company in these consolidated Finance Statements are consistent with those applied by the Group in the previous half-year, with the exception to the change in presentational currency. The financial statements are presented in US dollars, except where otherwise indicated. Refer to note 1(b) for further details.

These general-purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The financial report was authorised for issue, in accordance with a resolution of Directors, on the date of signing the Directors' Declaration, unless otherwise stated.

(b) Change in presentation currency

The Company has progressed in securing its position in the US market with majority of revenue received in US Dollars. On this basis, the parent entity and all the subsidiaries have changed their presentation currency from Australian Dollars to US Dollars, effective 1 July 2020. Financial information for prior periods have been restated from Australian Dollars to US Dollars in accordance with AASB 121 The effects of changes in foreign exchange rates and AASB 108 Accounting Policies, changes in Accounting Estimates and Errors.

Assets and liabilities were translated into US Dollars using the closing rate as at each period end. Income, expenses and cashflow recognised in the period were translated at an average US Dollar exchange rate each month for the period and equity was translated at historical rates at the date of transaction. Resulting exchange differences were reflected as currency translation adjustments and included in the cumulative foreign currency translation reserve.

Notes to the Financial Statements

Note 1: Basis of preparation (continued)

(b) Change in presentation currency (continued)

In order to derive the US Dollars equivalent for the consolidated financial statements, the Group has accounted for this change in presentation currency using the following exchange rates:

- Income and expenses for the half-year ended 31 December 2020 at an average rate of A\$1 = US\$0.7233, approximating actual exchange rates for the date of transactions,
- Balance sheet at 30 June 2021 at a rate of A\$1 = US\$0.7499, being the exchange rate at 30 June 2021
- Income and expenses for the half-year ended 31 December 2021 at an average rate of A\$1 = US\$0.7317, approximating actual exchange rates for the date of transactions,
- Balance sheet at 31 December 2021 at a rate of A\$1 = US\$0.7271, being the exchange rate at 30 June 2021

The Consolidated Statements of Profit or Loss and Other Comprehensive Income and Financial Position in Australian Dollars and US Dollars are stated as below:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	31 December 2020 Previously reported A\$	31 December 2020 Restated US\$
Revenue	3,104,033	2,246,698
Cost of Sales	(1,884,733)	(1,361,876)
Gross Profit	1,219,300	884,822
Other income	50,010	35,737
Expenses		
Corporate and administrative expenses	(722,220)	(524,176)
Depreciation and amortisation expenses	(102,882)	(74,421)
Profit before income tax benefit	444,208	321,962
Income tax	(252,766)	(194,514)
Profit after income tax benefit for the year attributable to the owners of Connexion Telematics Ltd	191,442	127,448
Other Comprehensive Income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation	(131,567)	226,595
Total comprehensive income attributable to the owners of Connexion Telematics Ltd	59,875	354,043
	Cents	Cents
Basic earnings per share	0.02	0.015
Diluted earnings per share	0.02	0.014

Notes to the Financial Statements

Note 1: Basis of preparation (continued)

(b) Change in presentation currency (continued)

Consolidated Statement of Financial Position

	31 December 2020 Previously reported A\$	31 December 2020 Restated US\$	1 July 2020 Previously reported A\$	1 July 2020 Restated US\$
Assets				
Current assets				
Cash and cash equivalents	2,695,721	2,081,551	2,443,088	1,679,383
Trade and other receivables	1,568,292	1,212,036	1,818,875	1,253,396
Inventory	3,962	3,053	3,962	2,731
Total current assets	4,267,975	3,296,640	4,265,925	2,935,510
Non-current assets				
Plant and equipment	11,685	9,004	12,462	8,589
Capitalised development costs	274,802	211,752	298,129	205,448
Deferred tax asset	922,384	615,493	1,169,748	806,103
Total non-current assets	1,208,871	836,249	1,480,339	1,020,140
Total assets	5,476,846	4,132,889	5,746,264	3,955,650
Liabilities				
Current liabilities				
Trade and other payables	499,718	385,993	827,192	570,036
Employee benefits	77,200	59,487	86,740	59,775
Total current liabilities	576,918	445,480	913,932	629,811
Non-current liabilities				
Employee benefits	27,081	20,868	19,360	13,341
Total non-current liabilities	27,081	20,868	19,360	13,341
Total liabilities	603,999	466,348	933,292	643,152
Net assets	4,872,847	3,666,541	4,812,972	3,312,498
Equity				
Issued capital	16,650,069	11,586,366	16,531,069	11,503,558
Reserves	(256,428)	168,255	(5,861)	24,468
Accumulated losses	(11,520,794)	(8,088,080)	(11,712,236)	(8,215,528)
Total equity	4,872,847	3,666,541	4,812,972	3,312,498

Notes to the Financial Statements

Note 1: Basis of preparation (*continued*)

(c) New, revised or amending Accounting Standards and Interpretations adopted

The accounting policies adopted in the preparation of the interim half-yearly financial statements are consistent with those followed in the preparation of the consolidated entity's annual consolidated financial statements for the year ended 30 June 2021, except for the adoption of new standards effective as of 1 July 2021. The consolidated entity has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments and interpretations apply for the first time in 2021, but do not have a material impact on the half yearly financial statements of the consolidated entity.

(d) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Note 2: Financial assets at fair value through profit or loss

	31 Dec 2021 US\$	30 Jun 2021 US\$
<i>Current Assets</i>		
Investment in shares	1,638,595	-

Note 2: Investments (continued)*Reconciliation*

Reconciliation of the fair values at the beginning and end of the current and previous financial periods are set out below:

Opening Fair value	-	-
Net additions	1,636,040	-
Net disposals	-	-
Revaluation taken to profit or loss	2,555	-
Reclassified from non-current financial assets	-	-
Closing fair value	<u>1,638,595</u>	<u>-</u>

Refer to note 5 for further information on fair value measurement.

Note 3: Issued capital

	31 December 2021 Number	31 December 2021 US\$	30 June 2021 Number	30 June 2021 US\$
Fully paid ordinary shares	<u>880,548,446</u>	<u>11,589,939</u>	<u>880,165,112</u>	<u>11,586,366</u>

Movements in ordinary share capital

Details	Date	Number	US\$
Balance at the beginning of the period	1 July 2021	880,165,112	11,586,366
Conversion of performance rights	8 December 2021	200,000	1,863
	10 December 2021	183,334	1,710
Balance at the end of the period	31 December 2021	<u>880,548,445</u>	<u>11,589,939</u>

Note 4: Reserves

	31 Dec 2021 US\$	30 Jun 2021 US\$
Foreign currency translation reserve	(149,959)	(60,000)
Share based payments reserve	141,641	68,072
	<u>(5,318)</u>	<u>8,072</u>

Note 5: Fair value measurement*Fair value hierarchy*

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Consolidated – 31 December 2021

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Listed ordinary shares	1,638,595	-	-	1,638,595
Unlisted ordinary shares	-	-	-	-
Total assets	1,638,595	-	-	1,638,595

Consolidated – 30 June 2021

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Listed ordinary shares	-	-	-	-
Unlisted ordinary shares	-	-	-	-
Total assets	-	-	-	-

There were no transfers between levels during the financial period.

The carrying amounts of trade and other receivables, trade and other payables and other financial liabilities approximate their fair values due to their short-term nature.

Note 6: Events after the reporting period

Other than disclosed elsewhere in the Interim Report, there has been no additional matter or circumstance that has arisen after balance date that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Note 7: Earnings per share

	Consolidated	
	31	31
	December	December
	2021	2020
	US\$	US\$
Profit after income tax expense/benefit attributable to the owners of Connexion Telematics Ltd	<u>12,930</u>	<u>127,448</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>880,211,036</u>	<u>866,675,982</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>927,884,075</u>	<u>880,165,112</u>
	Cents	Cents
Basic earnings per share	0.001	0.015
Diluted earnings per share	0.001	0.014

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Aaryn Nania
Managing Director and Chief Executive Officer

Sydney, 9 February 2022

Connexion Telematics Ltd

Independent auditor's review report to members

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Connexion Telematics Ltd (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the Half-Year Financial Report

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

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

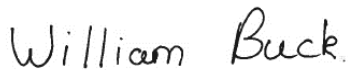
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Auditor's Responsibilities for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



William Buck Audit (Vic) Pty Ltd

ABN: 59 116 151 136



A. A. Finnis

Director

Melbourne, 9 February 2022